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| Austria | Sch. 22 | Indonesia | Rp 3100 | Philippines | Pes 20 |
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| Belgium | BFr 48 | Italy | L 1800 | S. Arabia | Rls 6 00 |
| Canada | C$1 00 | Japan | Y600 | Singapore | S$ 4 10 |
| Cyprus | C£0.75 | Jordan | Fils 500 | Spain | Pta 125 |
| Denmark | DKr 9.00 | Kuwait | Fils 500 | Sri Lanka | Rup 30 |
| Egypt | E£2.25 | Lebanon | £L 50 00 | Sweden | SKr 8.00 |
| Finland | Fmk 7.00 | Luxembourg | LFr 48 | Switzerland | SFr 2 20 |
| France | FFr 8.50 | Malaysia | Rm 4 25 | Taiwan | NT $85 |
| Germany | DM 2.20 | Mexico | Pes 300 | Tunisia | Din 0.800 |
| Greece | Dr 80 | Morocco | Dh 6.00 | Turkey | L 500 |
| Hong Kong | HK$ 12 | Netherlands | Fl 3.00 | U.A.E. | Dh 6 50 |
| India | Rup. 15 | Norway | Nkr 7.00 | U.S.A. | $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,220 — Tuesday April 28 1987 — D 8523 B


Overheating problem for Japan's money machine, Page 18

## World news

### S. African police fire on students

Police fired shotguns and whipped students on the campus of Cape Town University when a student protest over South Africa's weekend raid on Zambia erupted into violence.

Eyewitnesses said police moved on to campus, firing teargas and birdshot and whipping students after some 300 protesters carrying placards denouncing the raid marched within view of a highway which skirts the university.

### Portugal set for poll

Portugal looked set for a July general election after President Mario Soares took steps to dissolve parliament. Page 3

### Fanfani risks a win

Italy's new minority government, led by Aminatore Fanfani, risks winning a vote of confidence it paradoxically aims to lose if parties opposing early general elections give it unwanted support. Page 3

### Arrests outside CIA

Police arrested dozens of protesters during a demonstration outside Central Intelligence Agency headquarters in Washington. The protest was against President Ronald Reagan's policies in Central America and southern Africa.

### Iberia stops flights

Iberia, Spain's state airline, cancelled flights after a work-to-rule by ground staff led to a shortage of serviceable aircraft.

### S. Africa strike vow

Thousands of black postal workers vowed to continue their 25-day-old strike until their demands were met.

### EEC change looms

A looming budget crisis could force drastic changes in the EEC farm policy within three months, Commission President Jacques Delors said.

### Tamil rebels killed

Sri Lankan forces killed 400 Tamil guerrillas in retaliation for a Colombo bombing that killed 109 people.

### India policy review

India is to review its nuclear policy because of an "emerging nuclear threat" to it from neighbouring Pakistan. Page 5

### Afghan anniversary

Afghanistan's Soviet-backed government celebrated the ninth anniversary of seizing power with a parade in Kabul. Afghan fighters staged a protest in Tehran against the Kabul government.

### Ozone protection

Scientific experts began negotiating an international accord in Geneva to cut chemical emissions damaging the world's protective ozone layer.

### Tunnel for Sydney

The New South Wales Government approved the construction of a US$291m road tunnel under Sydney Harbour to ease the strain on the Sydney Harbour Bridge. Page 6

### US target bombed

An explosion rocked a building at the US military office in Manila. Later there was a demonstration against alleged American intervention in the Philippines.

### Bear bites two men

Two Swedish nature conservation workers were badly bitten when a brown bear they thought they had tranquillised suddenly woke up.

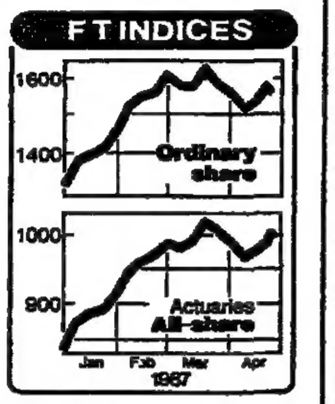
## Business summary

### Chrysler earnings fall by 24%

CHRYSLER, the third largest US car manufacturer, reported a 24.4 per cent drop in first-quarter net income to $289.7m. The decline was in line with General Motors' performance in the first quarter. Page 21.

GOODYEAR, world's biggest tyre manufacurer which lost money in two of its last four quarters, bounced back into profit in the first quarter of 1987 and earned $85m, or $1.19 a share, from continuing operations. Page 21

FT INDICES




LONDON: The strength of the pound, the sharp decline in Tokyo shares and an absence of foreign buyers helped to depress equities, with the FT-SE 100 down 14.9 at 1,986.6 and the FT Ordinary 15.7 lower at 1,585.2. Gilts were also lower. Details, Page 40

WALL STREET: The Dow Jones industrial average closed down 4.63 at 2,230.54. Page 44

TOKYO Stock Exchange is expected to decide in summer or autumn of this year how many additional seats will be offered to foreign securities houses, according to Mr Kiichi Miyazawa, Finance Minister. Page 44

STERLING closed in New York at $1.6585. It rose in London to $1.6670 ($1.6570); to DM 2.97 (DM 2.9675); to SFr 2.4350 (SFr 2.4225); to FFr 9.9450 (FFr 9.8950); but fell to Y230.50 (Y231.50). The pound's exchange rate index rose 0.2 to 72.9. Page 33

DOLLAR in New York closed at DM 1.7930; SFr 1.4685; FFr 5.9870; and Y139.40. It fell in London to DM 1.7820 (DM 1.7910); to SFr 1.46 (SFr 1.4620); to FFr 5.9650 (FFr 5.9725); and to Y138.35 (Y139.70). On Bank of England figures the dollar's exchange rate index fell to 99.7 (100.1). Page 33

GOLD rose $7.00 on the London bullion market to close at $472.00. It also rose in Zurich to $478.00 ($462.50). Page 32

ROLLS-ROYCE, UK state-owned aero-engine maker, is expected to have its shares priced at 170p($2.7) when details of the UK Government's offer for sale are unveiled today. Page 21

CGE, French energy and communications group, plans to raise between FFr 250m and FFr 350m ($42m – $58m) in the US through a private share placement timed to coincide with its privatisation next month.

HAN SANG-YUN, president of Pan Ocean, South Korea's largest shipping company, was arrested on charges of tax evasion and illegally diverting currency abroad. The company's chairman, Park Ken-Suk, committed suicide in April, leaving notes denouncing Han.

BOEING: US aircraft maker, reported first quarter net income of $118m, or 76 cents a share, compared with year-earlier $148m, or 95 cents a share and blamed the dip in earnings on a rise in research and development costs.

CSR, Australia's 10th biggest company, has made an A$547m (US$390m)bid for Monier, building materials maker 49.9 per cent owned by Redland of the UK. Details, Lex, Page 29

# Yen's rise prompts record decline in Tokyo stock prices

BY CARLA RAPOPORT IN TOKYO AND PHILIP STEPHENS IN LONDON

THE YEN'S continued rise against a sliding dollar yesterday caused investors to back away from the Tokyo stock exchange for the first time in months, prompting the largest ever single-day fall.

The Nikkei index plummeted by 831.32 to close at 23,072.41 as the dollar slumped to record lows against the Japanese currency and came under renewed pressure against the D-Mark.

Despite the dollar's weakness in recent days, Mr Kiichi Miyazawa, Japan's Finance Minister, said he did not believe it was going into a free-fall against the yen. He urged, however, more co-ordinated intervention in the currency markets by the main industrialised nations.

Mr Satoshi Sumita, Governor of the Bank of Japan, said the bank was determined to keep up its campaign of heavy buying of dollars in the market to stem the yen's rise.

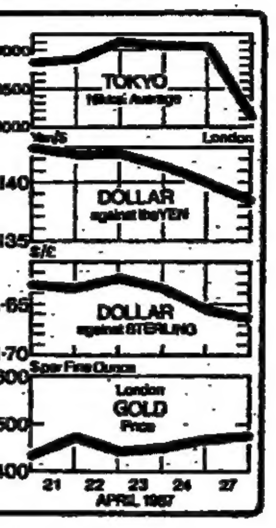
The Bank of Japan yesterday bought dollars against both yen and D-Marks and its intervention was followed by similar co-ordinated action by West Germany's Bundesbank, the Bank of England and several smaller European central banks.

The intervention, described by officials as relatively modest, succeeded in braking the dollar's decline, but there was little confidence in financial markets that the authorities had won anything more than a temporary respite.

The weak US currency, meanwhile, gave a further boost to sterling, strengthening expectations in London's financial markets of an early fall in interest rates. Although the authorities yesterday signalled that they were maintaining their cautious stance, there are widespread hopes of ½ point cut in base rates in coming weeks.

Central bankers themselves appear sceptical that they can do anything more than slow the dollar's fall unless there is tangible progress in resolving the trade disputes between the US and Japan. This week's meeting in Washington between Mr Yasuhiro Nakasone, Japan's Prime Minister, and President Ronald Reagan is being seen as a crucial test of whether international policy co-ordination can be put back on track.

In Tokyo, foreign exchange officials are now focusing on next week's Treasury bill auction by the US Government. Some are saying




that the US should postpone the auction or reduce its size.

Japanese investors traditionally

Continued on Page 20

China likely to join ADB, Page 5; Editorial comment, Page 18; Lex, Page 20; Commodities, Page 32; Money markets, Page 33, Stockmarkets, Page 44

# Waldheim barred from entry into US

By Lionel Barber in Washington

DR KURT WALDHEIM, the Austrian President and former United Nations Secretary General, was barred as a private citizen from future entry into the US because of his alleged links with German army atrocities during World War Two, the US Justice Department said yesterday.

The entry ban represents the first time that any country has decided sufficient evidence exists that Mr Waldheim took part in Nazi war crimes against Yugoslav partisans.

Austria immediately recalled its Washington ambassador. Mr Alois Mock, the Austrian Foreign Minister, said "the ban causes Austria deep dismay and is categorically rejected".

President Reagan told Austria's Ambassador at the UN, Mr Tomas Klestl, that good relations between the two countries should not be affected by the decision.

The New York-based World Jewish Congress said that Mr Ed Meese, head of the Justice Department, had taken a courageous decision which sent a clear message: "Nazis are not welcome here."

Dr Waldheim, who made much of his international experience during the presidential campaign last year, has been internationally isolated since his election and has so far been unable to make any official visits abroad.

The US decision follows an investigation by the Justice Department's office of special investigations (OSI) which recently submitted a 200-page memorandum containing new information on Dr Waldheim's wartime role.

Mr Terry Eastland, chief Justice Department spokesman, said: "The Department of Justice has determined that a prima facie case of excludability exists with respect to Kurt Waldheim as an individual."

Under yesterday's order, Dr Waldheim will be placed on a "watch list" which prohibits entry into the US to foreign nationals, in this case those who assisted or participated in activities amounting to persecution during World War Two.

As a head of state enjoying diplomatic Dr Waldheim could technically enter the US and avoid the legal provisions being enforced against him. But diplomatic protocol dictates that he would first need an invitation from the US President.

# EEC prepares new curbs on Japan's trade

BY QUENTIN PEEL IN BRUSSELS

EUROPEAN Community member states are preparing a whole range of possible new measures to reduce their soaring trade deficit with Japan, or prevent its further increase.

Mr Willy de Clerq, the European Commissioner responsible for external trade, spelt out the plans to EEC foreign ministers yesterday on his return from a new round of negotiations in Japan at both bilateral and multi-lateral levels, including the US and Canada.

He warned of the danger of a very large diversion of Japanese exports from the US to the EEC market, not only because of the latest US 100 per cent tariffs on colour televion sets, desk-top computers and power tools, but also, more importantly, because of the appreciation of the yen against the dollar.

The measures now in the pipeline include:

- formal surveillance of the items affected by US tariffs, probably from May 6, requiring import licences;
- preparation of tariffs to be imposed if imports exceed normal levels;
- a new initiative to press the case for easier access for European banks to the Japanese market, including the right to accept deposits;
- a proposal to raise tariffs on selected Japanese exports to compensate the EEC for the estimated $1.2bn gain resulting from Spain and Portugal joining the Community;
- agreement on the controversial plan to extend anti-dumping actions from finished products to components expected by June.

These come on top of the continued general pressures on the Japanese Government for a major effort to boost its domestic demand and resulting imports, and action already under way to open up specific sectors such as cars, medical and pharmaceutical products, telecommunications, wines and spirits, and public works contracts.

Mr de Clerq said latest trade figures showed a record Japanese surplus with the EEC as a whole, reaching $2.1bn in March alone. In 1986 the surplus reached $21bn for the year.

He said the fear of massive trade diversion was based primarily on the relative change in the value of the yen against the dollar and against European currencies. Since January 1985, the yen had appreciated by 86 per cent against the dollar, but only by 9 per cent against the European currency unit (Ecu) basket of EEC currencies.

Mr de Clerq said Commission officials were preparing a paper on the access of European banks to the Japanese market for submission to the EEC monetary committee in May.

Until now, any action on financial services has been kept at a bilateral level mainly at the insistence of the UK and West Germany, keen to exploit the advantage of having access for their own institutions to the Japanese market.

The UK Government does appear to have relaxed its opposition to anti-dumping measures against components, which it feared could hit incoming Japanese investment in European assembly plants. British officials now expect the proposal to be approved by the 12 members in June.

The action on surveillance is for the time being purely automatic – importers of Japanese colour televisions, desk-top computers and power tools will have to apply for a licence from their national customs authorities, but only to provide advances statistics.

EEC budget, Page 2

# Reagan in attack on Congress trade bill

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday launched another attack on allegedly protectionist trade legislation under consideration in the Congress, saying that "Damming the flow of international commerce is the surest way to make our economy stagnant."

In a bid to defuse some of the criticism being directed at Japan's trade policies on the eve of the arrival in Washington later this week of Mr Yasuhiro Nakasone, the Prime Minister, Mr Reagan also adopted a conciliatory tone on the controversial issue of US allegations that Japan has breached a bilateral trade agreement on semiconductors.

However, with the world's financial markets anxiously waiting for signals that the President is prepar-

Continued on Page 20

# Ferry owner criticised in Zeebrugge inquiry

BY KEVIN BROWN, TRANSPORT CORRESPONDENT, IN LONDON

THE Townsend Thoresen vehicle ferry Herald of Free Enterprise, which capsized with the loss of nearly 200 lives, set to sea with its bow doors open because of "sloppy procedures," a public inquiry was told yesterday.

Mr David Steel, the Wreck Commissioner, told the inquiry: "The diseases of a sloppy system and sloppy procedures infected not just those on board ship, but well into the body corporate of Townsend car ferries."

Townsend is the vehicle ferry arm of European Ferries, which was taken over by Peninsular and Oriental Steam Navigation two months before the tragedy.

The inquiry, which is expected to last several weeks, opened in Church House, London, as the Herald was being refloated outside Zeebrugge harbour in Belgium.

The ship was towed to an isolated berth by Smith Tak, the Dutch salvage company, and will be inspected by divers today. Around 20 bodies are believed to be still on board.

Mr Steel told the inquiry that it was clear the ferry left Zeebrugge with its bow doors open, and "highly probable" that this led to the capsize.

He said company regulations instructed the master, Captain David Lewry, to assume that the vessel was ready for sea unless he received reports to the contrary.

This system of negative reporting was "most unsatisfactory," he said.

Mr Steel said the inquiry would have to consider whether Captain Lewry, who was in the wheelhouse, should be held responsible for the accident.

But he said the negative reporting system was "a practice which manifestly is inherently dangerous. It is a practice which, whether or not suggested to him, the master had no business to operate."

Mr Steel said instructions issued to the crew placed nominal responsibility for closing the bow doors on Mr Marc Stanley, the assistant boatswain.

But he warned against the conclusion that Mr Stanley, who was later praised for his heroism during the rescue, had failed to carry out his duty.

"Although he was nominally responsible for closing the doors, there was no system where he was the only person responsible. It was common for others to close them," he said.

Mr Steel said Captain Lewry had reported four months before the tragedy a tendency for the ship to sail trimmed down by the bow – one of the factors which is thought to have allowed seawater to enter through the open doors.

He also quoted from Townsend documents indicating that the outer

Continued on Page 26

# Sarney faces rising pressure to make major cabinet shuffle

BY IVO DAWNAY AND ANNE CHARTERS IN SAO PAULO

PRESIDENT José Sarney of Brazil was last night coming under intense pressure to announce a quick and comprehensive Cabinet reshuffle after the resignation at the weekend of Mr Dilson Funaro, his Finance Minister.

Criticism has been growing of a lack of decisive action from the presidential palace following the departure last week of Mr Marco Macie as Chief of Civil Staff. He is to return to the Senate.

Governor Wellington Moreira Franco of Rio de Janeiro summed up the mood in the country yesterday, demanding "an end to uncertainty."

"The Brazilian people want clear decisions on what course the Government is planning for the economy," he said.

The two key ministerial vacancies have provoked an outbreak of lobbying by the Government's two coalition partners, the dominant Democratic Movement Party (PMDB) and the minority rightwing Liberal Front (PFL).

Both parties are seeking to ensure that they do not lose influence or key positions in any administration that the President seeks to introduce.

At the same time, state governors have been travelling to Brasilia in an effort to ensure that their local interests are also fully represented.

This flurry of activity has again raised public comments that the President must be seen to impose his own stamp on his new Cabinet, even if this means abandoning the efforts to find a team acceptable to all sides.

The perceived lack of an economic strategy was the prime cause for Mr Funaro's resignation. Both foreign and domestic bankers in Brazil yesterday broadly welcomed his departure as likely to reduce tensions between the business community and the Government.

However, they did not expect immediate changes in the overall economic stance of the Government, although one Brazilian banker said that any new team would be expected to make "rational and more logical" economic policies.

"We need to have some rationality in policymaking, whether it be heterodox or orthodox," he said.

Another banker predicted that the new team would be likely to maintain a populist orientation but with more realistic and transparent administrative processes.

Speculation over Mr Funaro's likely successor yesterday centred on Mr Celso Furtado, the Culture Minister, and Mr Luiz Bresser Pereira, an economist, businessman and Sao Paulo state politician.

Power struggle, Page 6



CONTENTS



THE BEST ARMS PLAN CANNOT CHANGE GEOGRAPHY

Chancellor Helmut Kohl fears that any disarmament plan could leave West Germany isolated. Page 3

# Agreement nears on protecting ozone layer

BY WILLIAM DULLFORCE IN GENEVA

TECHNICAL AND legal experts from the main chemical manufacturing countries are close to agreeing after months of dissension on worldwide rules for controlling chemicals that threaten the earth's ozone shield.

A working group of delegates from more than 30 countries, meeting in Geneva this week, aims at framing an international protocol regulating production of chlorofluorocarbons (CFCs) used in aerosol sprays, refrigeration and air-conditioning equipment.

CFCs have been pinpointed as the principal cause of a thinning in the ozone layer that protects the earth from ultraviolet radiation. The effect of this ozone depletion, scientists affirm, would be a vast increase in skin cancer and damage to plant and aquatic life.

Mr Mostafa Tolba, executive director of the UN Environment Programme (UNEP) which has organised the meeting, yesterday urged the experts to agree on a programme that would freeze CFC output at 1986 levels by 1990 and provide for cuts in production of 20 per cent by 1992 and of 40 per cent by 1994.

This programme concords with proposals from the US and the Scandinavian countries but goes beyond the current thinking of the European Community and Japan, both of which, however, have shown readiness to consider a freeze.

Prospects of agreeing a protocol have increased nevertheless following the consensus achieved among US and European atmospheric scientists at a meeting in Wurzburg, West Germany, earlier this month.

They agreed after examining several models simulating CFC effects on the stratosphere that even the most stringent CFC control programmes so far presented would still result in significant ozone depletion.

Their models assumed projections for CFC use and growth rates which the Chemical Manufacturers Association argued were too high. However, the scientists ran models assuming a worldwide freeze on production of the damaging chemicals at projected 1990 levels. These indicated that there would be only a small ozone depletion by the year 2050.

The Geneva working group has to consider how such a freeze can be brought about without disrupting Third World nations' need to use increasing amounts of CFC

# Changes at the top expected in Hungary

BY LESLIE COLITT IN EAST BERLIN

CHANGES in the Hungarian leadership may result from a meeting of the central committee of the Communist party, which begins today in Budapest.

Mr Janos Kadar, the country's leader, said on a recent visit to Sweden that he had no intention of stepping down, but changes in economic policies would require new people to implement them.

Hungarian officials and Western diplomats in Budapest spoke of persistent rumours yesterday that the ailing President, Mr Pal Losonczi (77), would resign shortly. This could open the way for Mr Kadar's deputy, Mr Karol Nemeth, to become head of state, while allowing for a more effective eventual successor to Mr Kadar, who will be 75 next month.

The rumours reflected growing unease in the central committee over the leadership's difficulties in coping with deepening economic problems and with pressures within the party for political reforms.

If the colourless Mr Nemeth is to be taken out of the running for the party leadership, he is likely to be replaced either by Mr Janos Berecz or Mr Karoly Grosz. Mr Berecz is the influential central committee secretary responsible for information and ideology, while Mr Grosz, a politburo member, heads the party in Budapest.

Mr Berecz is regarded as being pro-reform, while favouring a gradual pace. He recently warned that a continuing debate within the party on expanding political pluralism could not lead to a multi party system in Hungary. The extremely outspoken Mr Grosz is more of a populist who has frequently warned about iniquities to growing sections of the population by the economic reforms.

A Government economics official confirmed yesterday that, as part of a package of measures to combat the worsening economic situation, companies will be deprived of forints 20bn (£260m) in short-term credits this year.

This is designed to reduce demand for imports and to "cut a growing budget deficit." However, it runs counter to the creation last January of profit-orientated commercial banks, which were to compete in lending to companies. A widening deficit in Hungary's hard-currency balance of payments this year, after a record $1.4bn deficit last year, meant the authorities had to take action.

The official noted that ordering import restrictions would have been simpler. However, it would have run against the grain of the economic reforms which aim to use "monetary tools" to manage the economy.

The government last month devalued the forint by 8 per cent to encourage exports and raised meat prices 18 per cent earlier this month to reduce growing government subsidies.

Mr Kadar: No intention of stepping down

# Inflation on rise again in Turkey

By David Barchard in Ankara

THE TURKISH Treasury, having released the worst quarterly inflation figures for several years, has announced that it will continue to collect inflation data, but will not publish them.

It revealed at the weekend that the inflation rate was 3.9 per cent in March, bringing the total for the first quarter of the year to 12.4 per cent compared to 7.9 per cent last year.

Turkey has been living with annual inflation rates of of between 30 per cent and 50 per cent for most of the 1980s. However, price increases slackened slightly last year, and inflation is believed to have fallen below 30 per cent.

Until last weekend there were three rival indexes: those of the State Institute of Statistics, the Treasury, and the Istanbul Chamber of Commerce. None has been regarded as entirely satisfactory and their figures have often differed.

There seems little doubt, now that inflation has started to rise again, that the 20 per cent target for 1987 is unattainable. Government officials blame overspending by public sector investors and on bad weather during March which forced up food prices.

# Rivalries undermine French right's presidential hopes

BY DAVID HOUSEGO IN PARIS

THE CHANCES of a conservative candidate winning next year's presidential election are already being undermined by the persistent divisions within the French right.

The most recent case of self-inflicted wounds emerged this weekend with the official announcement by Mr Jean-Marie Le Pen, the leader of the extremist National Front, of his decision to stand as a candidate in the May, 1988, elections. Mr Le Pen hopes to gather about 10 per cent of the vote and thus use his position to obtain a ministerial post in a coalition government that might be formed after the election.

Likewise, Mr Francois Leotard, the Minister of Culture and leader of the Parti Republicain (PR), yesterday declined to rule out his candidature saying that in the first round of the election people must be given the possibility "of expressing themselves and choosing." Mr Leotard is also using the threat of his candidature to strengthen the position of his party—a group within the centrist UDF in any bargaining for posts that follows the presidential contest.

Public opinion polls still give the right-wing and conservative parties a clear 54-46 per cent majority in the country.

But this majority could be badly eroded if the right-wing vote was split by four candidates: Mr Le Pen and Mr Leotard in addition to the two expected conservative candidates, Mr Jacques Chirac, the Prime Minister, and Mr Raymond Barre, a former Prime Minister.

Against this, the Socialist's advantage is that they are likely to rally behind President Francois Mitterrand, or the candidate nominated by the party if he decides not to stand. At the same time, the shrinking Communist vote is likely to favour the Socialist candidate in the second round.

Mr Mitterrand owed his success in the 1981 presidential election in large part to the dispute between Mr Chirac and former President Valery Giscard d'Estaing which prevented the right from concentrating its forces.

The not unexpected decision by Mr Le Pen to stand—marking in effect the opening shots in the campaign—is most damaging to Mr Chirac, who otherwise would have benefited from the votes of Front supporters. In an attempt to distance Mr Barre from the Front, his followers announced yesterday that he would not become involved with Mr Le Pen in any negotiations over the shape of a government.

Mr Le Pen announced his candidature in the apocryphal language he has now made his own, declaring that France faces "great dangers" and is in risk of being "ruined and submerged."

# Six more arrested over last year's Paris bombs

BY OUR PARIS CORRESPONDENT

THE FRENCH police appear to be closing the net on those responsible for providing logistic support to the terrorists who carried out the bomb attacks in Paris last September.

It emerged yesterday that the police had arrested on Sunday six more people—four Lebanese, a Senegalese of Lebanese origin and an Algerian—believed to have taken part in helping to prepare the attacks. This brings the number of people so far arrested—mainly North Africans—to 16.

Police yesterday declined to reveal the identity of those arrested on Sunday and the charges against them remain in the vague category of disturbing public order. They have still failed in the case of all 16 to find traces of the explosives used.

Responsibility for the attacks was claimed at the time by a Beirut-based committee seeking the release of Georges Ibrahim Abdallah, the terrorist leader of the Lebanese Armed Revolutionary Faction.

The recent arrests have strengthened the belief of the police that Iran was strongly involved in the logistics for the attacks which killed 11 people and wounded over 150.

# Soviet energy supplies to Romania detailed

BY PATRICK BLUM IN BUCHAREST

ROMANIA's energy imports from the Soviet Union rose sharply last year and are set to remain at a high level for the next few years, according to Soviet officials here.

Energy supplies from the Soviet Union are generally a close secret in Romania, along with other statistics regarded as "sensitive" or pertaining to security, but Soviet diplomats in Budapest recently took the unprecedented step of calling a news conference to set the record straight to dispel what they perceived as a misrepresentation of the facts.

According to Soviet statistics, in 1986 Romania imported a record 6.3m tonnes of crude oil from the Soviet Union—more than three times the volume of deliveries in 1985—2.5bn cubic metres of natural gas and 2.9bn kilowatt-hours of electricity—some 400m kwh above quantities set under a bilateral agreement.

Under Mr Nicolae Ceausescu, the country's orthodox Communist ruler, Romania has pursued a fiercely independent policy which has on occasion put it at odds with Moscow and other Warsaw Pact states. The strong increase in Soviet trade (up 25 per cent last year) and energy supplies to Romania is seen by some Western diplomats here as an indication that Romania is moving towards much closer economic ties and co-operation with Moscow. This is in spite of enduring public differences between the two countries on certain foreign policy issues and over economic and political reforms.

Romania produces about 11m tonnes of crude oil annually and the Soviet Union has become its most important single source of external supplies. Until quite recently, Romania bought large quantities of oil from the Middle East, but this source has declined sharply because of the Gulf War.

Soviet oil deliveries are made under long-term agreements, usually for the duration of a five-year plan. Under its current agreement with Romania, the latter is set to import at least 25m tonnes of Soviet crude oil during 1986-1990, at a rate of about 5m tonnes a year, although this has already been exceeded last year. Additional deliveries are "not excluded," Soviet officials say.

Romania has suffered serious energy shortages, due to mismanagement, unusually harsh winters and a government strategy to curtail imports as much as possible in order to pay back all the country's foreign debt.

Excessively cold weather caused acute supply problems for the country's coal, oil and gas power plants. Transport was inadequate and the coal froze. A prolonged drought sharply reduced water levels on the Danube, crippling the hydro-electric power plants.

Mr Gheorghe Plavitu, director of international relations at the Electricity Ministry, says that power from hydro-electric plants fell to about 20 per cent of installed capacity in the first three months of the year. Under normal conditions hydro plants account for about 20 per cent of power generation, coal plants for 40 per cent and oil and gas plants for the remaining 40 per cent.

Romania has an ambitious nuclear power programme but construction of a Canadian designed reactor on the Danube has faced long delays and is unlikely to be completed for some time, although Romanian officials say that tests on the first unit at the plant will start before the end of this year.

In the meantime, the Government has introduced drastic measures to curb energy consumption for private and industrial consumers although much of the brunt of the measures has had to be borne by the local population. Army units sent temporarily into the main coal-powered plants in October 1985 to help to run them more efficiently are still there, and working conditions remain subject to military discipline.

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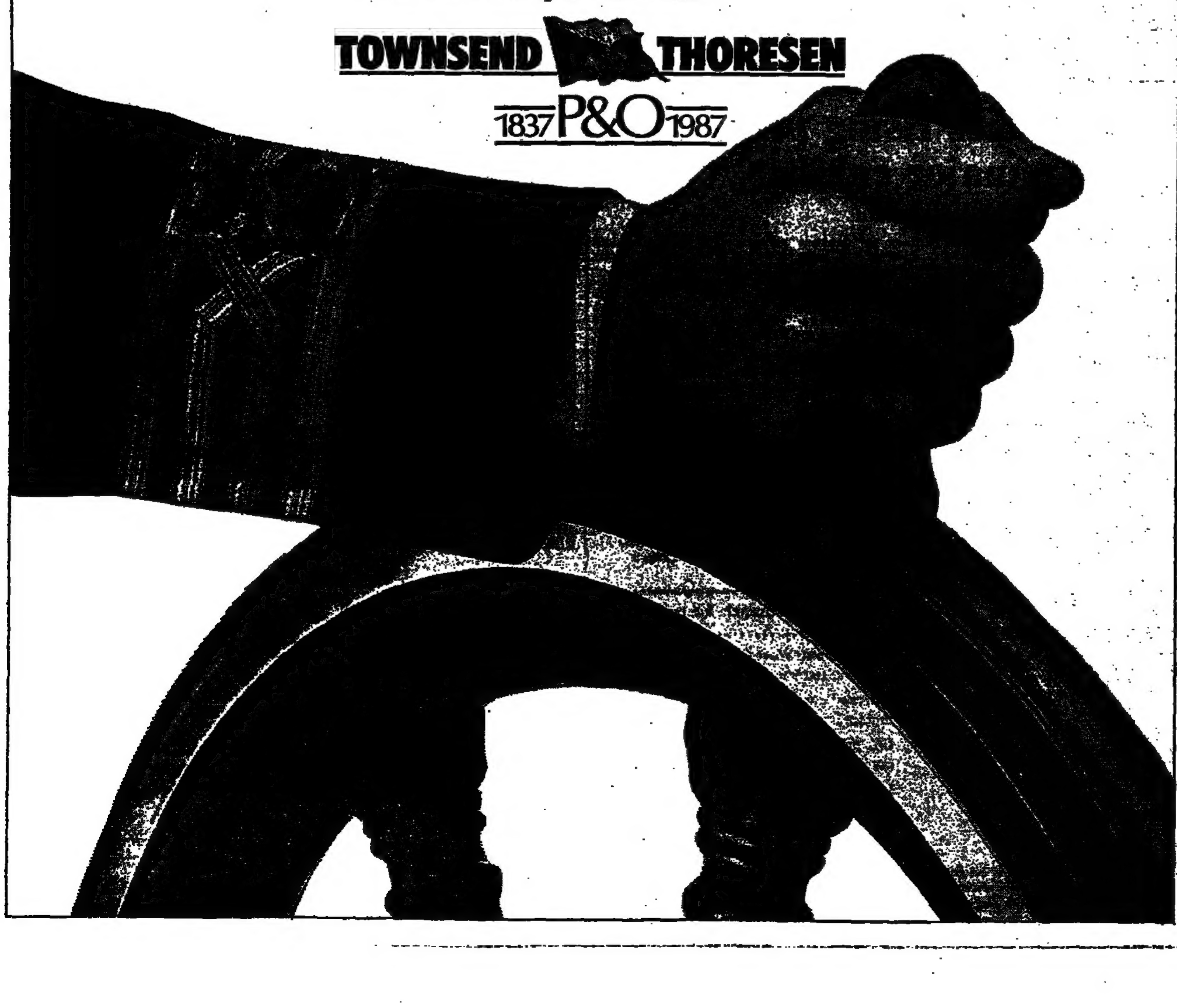


# Fanfani call for tactical vote of confidence

BY ALAN FRIEDMAN IN MILAN

MR AMINTORE Fanfani, Italy's caretaker Prime Minister, will today face a vote of confidence which, under the Italian system, he needs to lose before parliament can be dissolved and general elections called.

The confidence vote, comes in the eighth week of Italy's political crisis and after several days of increasingly bitter debate in parliament.

The 79-year-old Mr Fanfani, formerly the Christian Democrat President of the Senate, opened the debate last week admitting that elections were almost inevitable as it seemed impossible to achieve a parliamentary majority.

Under Italy's constitution a government must be defeated in parliament before the president of the republic can dissolve parliament and call elections.

Assuming the confidence vote is lost – as is hoped by Mr Fanfani – the caretaker premier is expected to go to President Francesco Cossiga and resign as early as tomorrow evening.

President Cossiga could then dissolve parliament and call elections, considered likely to be held on June 14. That would be a full year before they are constitutionally required.

The Fanfani caretaker Government – composed of 16 Christian Democrat and nine unelected technocrat ministers – was sworn in over the Easter weekend.

Mr Amintore Fanfani

From the outset it was described as an "institutional" government, designed to steer Italy through elections.

This led former Socialist Prime Minister Mr Bettino Craxi to comment sourly that "the only thing institutional about this government is the presence of the Christian Democrats."

# Soares expected to call early Portuguese election

BY DIANA SMITH IN LISBON

PRESIDENT Mario Soares of Portugal is expected tomorrow to announce the dissolution of parliament and a July general election as his solution to the month-old crisis provoked by a left-wing opposition censure motion which toppled the Social Democrat minority Government.

Mr Soares today meets his council of state, an advisory body with no executive powers but with the constitutional right to give its opinion on issues such as dissolution of parliament. Most councillors at last week's meeting favoured early elections: the minority, made up of leaders of left-wing parties, called for formation of a parliamentary opposition coalition, to rule until 1989, the natural end of the legislature.

In the council of state, which is made up of leaders of the main parliamentary parties and prominent personalities, the tiny Democratic Renewal Party (ORD) which sponsored the censure motion that defeated Mr Anival Cavaco Silva's 17-month-old Government, has brought pressure to bear on Mr Soares to allow it to take part in an opposition government coalition.

Mr Soares has faced difficulties caused by an angry PRD headed by former head of state Gen Antonio Ramalho Eanes, which has tried to persuade him to invite the left to govern.

# Belgo-US extradition pact

BY WILLIAM DAWKINS IN BRUSSELS

THE US and Belgium yesterday signed an extradition treaty, greatly broadening the conditions under which alleged criminals can be sent for trial between the two countries.

Mr Edwin Meese, the US Attorney General, called the accord "a major step forward" after signing it in Brussels with Mr Jean Gol, the Belgian Justice Minister. The agreement replaces a more complex treaty which laid down specific conditions for extraditable offences with a wider approach based on the seriousness of the penalty available for individual crimes.

Mr Meese later discussed security co-operation with the EEC with Mr Gol in his capacity as chairman of the Trevi group of European justice ministers.

# UK out on limb again over EEC financing

By Quentin Peel in Luxembourg

THE BRITISH Government was yesterday accused of manoeuvering itself once again into isolation within the EEC, over the key question of how to finance future spending, and curb the excesses of the Common Agricultural Policy.

A major debate among foreign ministers and their deputies over reform plans presented by the European Commission left the UK by far the most rigid opponent of any increase in budget financing.

Commissioning officials claimed that while the other member states showed a willingness to consider a long-term solution to the Community's perennial cash crises, Britain virtually refused to countenance any alternative to massive budget cuts.

Mr Jacques Delors, the Commission president, presented his plans to ministers for a complete reform of the financing system, switching to contributions based more on gross national product rather than the present so-called VAT formula.

The result would be greater equity in EEC contributions related more closely to the wealth of member states, and an increase in contributions available from the present ceiling of some Ecu 40bn to more than Ecu 50bn by 1992. That is the target date for the removal of all remaining internal trade barriers to a single common market.

Mr Delors proposes to devote the extra finance to new policies, such as high technology research, and to a big increase in funds for regional and social policies in deprived areas.

In return, he proposes much tougher spending control, better budget management, and in particular further curbs on farm spending.

The British attitude was set out by Mrs Lynda Chalker, Minister of State at the Foreign Office, who argued that there would be no need to increase contributions if farm spending were cut adequately.

Britain is also dead set against the Commission's request for another emergency financing package to fill an immediate Ecu 5bn hole in the 1987 budget.

Mr Delors has proposed a three-part package involving delayed payments to member states totalling Ecu 2.8bn-Ecu 3bn, some Ecu 680m still available within the ceiling on national contributions, and a special cash deal to provide the other Ecu 1.6bn.

While Mr Delons believes he can get agreement from 11 member states, his optimism is not shared by many of the diplomats, who believe the Commission's proposals on changing the basis of national contributions are too complicated and still too vague. Several member states are more inclined to stay with the present VAT base, in spite of its apparent inequity.

**Peter Bruce** on West Germany's missiles dilemma

# Zero options leave Bonn in a bind

THE WAY things are going in Geneva, fairly soon the only two European countries suitable for launching nuclear missiles from may be East and West Germany.

Certainly, no other Nato ally has been placed in as difficult a position as Bonn by the Soviet Union's offer to remove all its shorter range INF nuclear missiles as well as the longer range SS-20s in return for the removal from Western Europe of US Pershing 2s and cruises.

The INF (intermediate nuclear force) talks between the Soviet Union and the US in Geneva cover medium range ground launched weapons which sub-divide. Long range INF, or LRINF weapons consist of Soviet SS-20s and older SS-4s and US cruises and Pershing 2s. LRINF ranges from 1,000 km to 5,000 km. Short range INF, or SRINF, is a purely Soviet preserve, consisting of SS-12/22s and SS-23s. These range between 500 km and 1,000 km.

Although conservatives in Chancellor Helmut Kohl's coalition in Bonn have been able to take some comfort from the British and French view that nuclear weapons cannot be completely done away with, West Germany has a problem all of its own.

Mr Christopher Bertram, a former director of the International Institute for Strategic Studies in London, neatly summed up Bonn's dilemma last week when he said in Die Zeit that "not even the best disarmament can alter geography."

If the Americans accept the Soviet double (long and short range( "zero option" on INF it means that the nuclear missiles left with the Red Army in non-INF "Frogs" and "Scuds" would be capable of reaching West Germany *only*. "The shorter the range the deader the Germans," says Mr Volker Ruehe, a senior foreign policy spokesman for the Christian Democrat Union who opposes the double zero option.

Worse still, were Bonn to ask the Americans (and there have already been exploratory enquiries) for new missiles to balance out, at an agreed level, Soviet SRINF weapons, then it would be the *only* Nato partner to have such missiles on its territory.

To answer simply "yes" or "no" to the Soviet double offer puts West Germany in a position its conservative strategists have nightmares about. It would be alone or, to use a new buzzword, singularised.

That, at least, *is* the core of the argument being put by conservatives like M Ruehe and the Defence Minister, Mr Manfred Woerner, in Mr Kohl's (CDU).

Mr Ruehe, who is very close to the Chancellor, argues that a LRINF zero is fine but that East and West need to match each other, at a low level, in anges between 150kms and 1,000 kms. Anything between 150km and 500km adds new dimension to the Geneva talks because this range does not fall into INF. Nevertheless, the CDU right wing first began to speak of this low range before the Reykjavik summit last year because Soviet and East German Scud B missiles can reach deep into West Germany.

He says it is nonsense to argue that in order to match the Soviet Union, new missiles will have to be installed—at great political cost domestically—because Nato has no SRINF weapons. One option may be to modernise 72 Pershing 1A missiles operated by the Luftwaffe. Their nuclear warheads are controlled by the Americans and, says Bonn, they are not part of INF.

This hand-wringing infuriates the liberal Free Democrats, junior partners in the coalition, one of whose leading members is the Foreign Minister, Mr Hans-Dietrich Genscher. He has not said as much, but has strongly hinted that the Soviet offer should be accepted. The Foreign Ministry accepts US Administration arguments that the remaining 4,000 or so nuclear warheads in Europe would be quite sufficient

The Chancellor appears not to be convinced. Yesterday morning, he had Mr Woerner and Mr Genscher in his office for three hours in an effort to find a common response to the Soviet offer that could then be passed on to Nato. They failed, offering the feeble excuse that they could not be expected to respond until Moscow actually put a draft treaty on the table.

Given the importance of the decision, it is probably reasonable to play for time. But it means Mr Genscher and Mr Woerner go to the Western European Union meeting in Luxembourg today unable to give their colleagues an official West German policy on disarmament. The same problem faces Bonn's allies at a Nato Consultative Group meeting in Brussels later in the week.

It also means that the 92 per cent of West Germans who, according to a weekend poll, favour the double zero option, may have to wait a while.

# Moscow responds to US treaty proposals

THE SOVIET UNION yesterday presented the US with its draft of a treaty under which the two superpowers would scrap all their medium-range nuclear missiles in Europe, writes William Dullforce in Geneva.

The Soviet text, a response to a 40-page US draft tabled on March 4, was handed over during a meeting at the US mission of the bilateral group negotiating on intermediate nuclear forces (INF) in Europe. No details were released.

Mr Vladimir Shebanov, the Soviet arms talk spokesman in Geneva, said the draft contained proposals spelt out by Mr Mikhail Gorbachev, the Soviet leader, in Moscow last week.

Mr Gorbachev said then that the Soviet Union proposed to eliminate all Soviet and US medium-range (1,000-5,000km) missiles in Europe during the next five years, leaving only 100 warheads each in Soviet Asia and on the US mainland. President Ronald Reagan agreed to this in principle at his summit meeting with Mr Gorbachev in Reykjavik last October.

In addition, Mr Gorbachev said, the Soviets would propose to do away with the Soviet and US shorter-range (500-1,000km) nuclear missiles in Europe "simultaneously" and to hold talks on missiles in this category "in the East of our country and on the territory of the US."

In its draft text the US had proposed that the two sides agree on "equal and global" limits for the shorter-range weapons.

# Commission to consider Turkish entry bid

By Quentin Peel

FOREIGN MINISTERS of the EEC yesterday overruled the objections of Greece and agreed to forward Turkey membership application to the European Commission to draw up its opinion on the merits of the case.

Mr Leo Tindemans, Belgium's Foreign Minister, insisted that the move was a pure formality which did not in any way amount to a statement in favour or against the application.

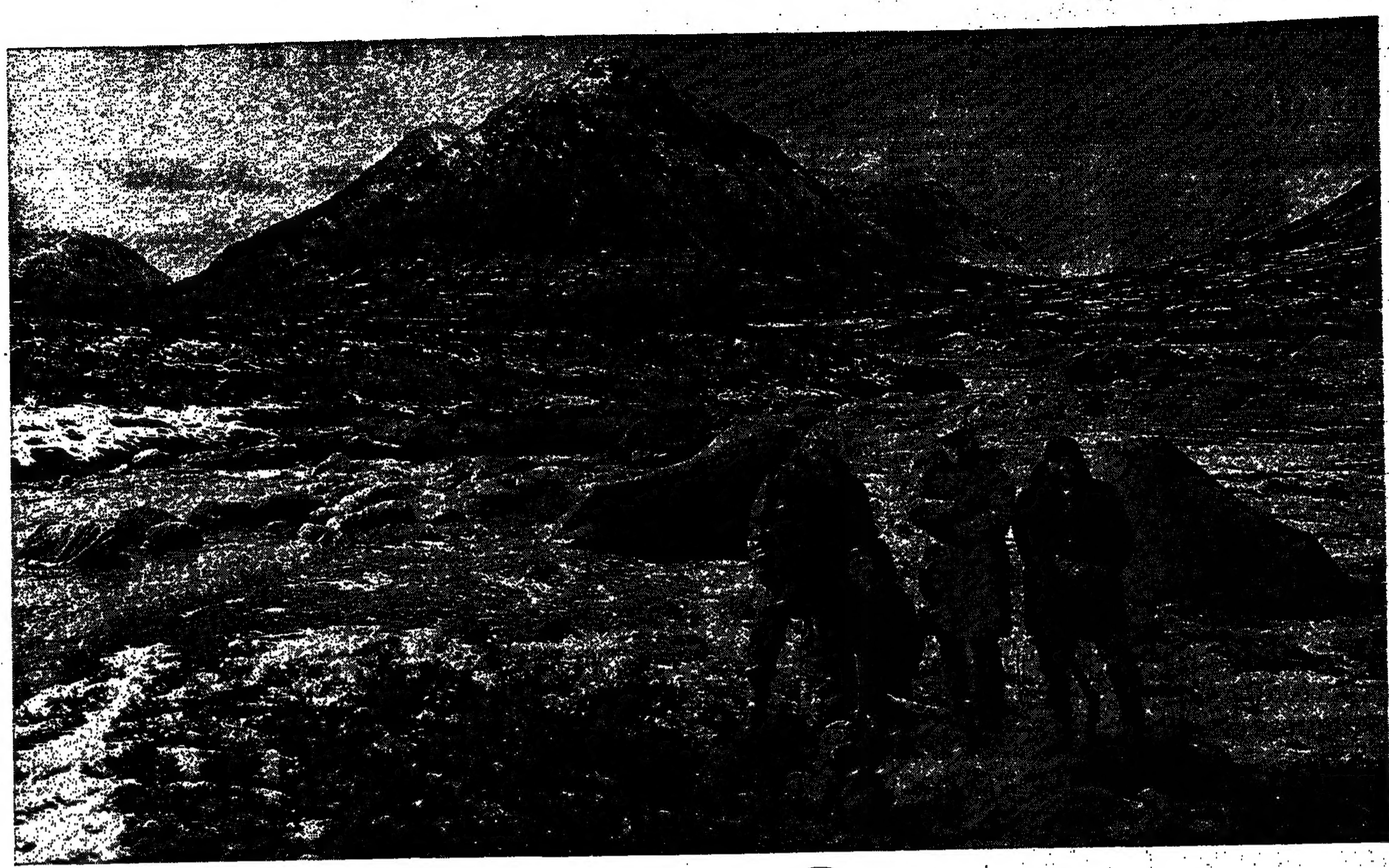
But the decision was strongly criticised by Mr Teodoros Pangalos, Greece's European Affairs Minister, as "hypocritical," in view of what he described as the "inevitable rejection" of the membership application at the end of the day.

The Commission is required to draw up its lengthy and detailed opinion on any membership application, but the exact procedure was in some doubt until the last moment yesterday because of the Greek opposition.

Mr Pangalos argued that Turkey's case was different from previous cases because it was strongly opposed by an existing member state.

"The political issue remains that the whole of the Community agrees that Turkish accession is not a possibility," Mr Pangalos said later. "Greece believes that, instead of being hypocrites and hiding behind the procedural aspects, it would be much fairer for the principles of the Community if we were to give directly the inevitable negative sign to Turkey clearly and concisely."

AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT



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# Indian editors resign amid political scandals

BY JOHN ELLIOTT IN NEW DELHI

THE EDITORS of two of India's leading national daily newspapers have resigned because their ability to carry out their jobs has been undermined in the current spate of political rows and scandals which have knocked the authority of the Government of Mr Rajiv Gandhi, the Prime Minister.

The editors have fallen out in recent weeks with their proprietors who are linked with warring factions in New Delhi's political crisis and who have been trying to promote their respective views in their papers.

Mr Prem Shankar Jha, editor of the Hindustan Times, resigned yesterday, following disagreements with the newspaper's owner, Mr K.K. Birla, a leading member of the Birla Industrial family and a member of Parliament for Mr Gandhi's Congress I Party.

Last week Mr Suman Dubey, a close friend since childhood of Mr Gandhi, gave up the editorship of the Indian Express after a virulent attack on the Prime Minister was printed on the front page of his paper. The article appeared at the instigation of Mr Ramnath Goenka, the proprietor, but without Mr Dubey's approval. It called on the president to consider taking action against Mr Gandhi.

The political crisis started to build up last month with public clashes between Mr Gandhi and Mr Zail Singh, the country's President. It was escalated two weeks ago by the resignation of Mr Vishwanath Pratap Singh, defence Minister and former Finance Minister, who had been instigating inquiries into various allegations of government corruption.

Mr Jha refused to issue a statement yesterday, but is believed to have resigned at the request of Mr Birla, who disagreed with editorial articles written by Mr Jha in support of Mr V.P.Singh.

# Forced labour for China students

BY ROBERT THOMSON IN PEKING

CHINESE students are to be sent to work in the fields and factories under a cultural revolution-style programme prompted by student protests that swept the country late last year.

He Dongchang, the Vice Minister of Education, said that while many aspects of the cultural revolution between 1966-76 had been rightly condemned, assigning students for periods of manual labour would help them "keep contact with reality".

Diplomats see the planned programme, which will be formally announced next month, as a reaction by the Communist Party to the obvious influence on students of Western liberal concepts. Protesters in December demanded "democracy" and "freedom", and showed an acute awareness of the lack of individual rights.

Political education has already been intensified at universities, with previously poorly attended Marxist study sessions now compulsory. Some colleges have even resurrected old tapes of Chairman Mao Tse Tung's thoughts and played them over loudspeaker systems as part of the drive against "bourgeois liberalism", by which the party means Western influence.

# Delhi steps up nuclear bomb threat

By John Elliott in New Delhi

INDIA yesterday stepped up its implied threats of reactivating its nuclear weapons programme because it believes Pakistan is developing a nuclear bomb and it is angry that the US is not taking steps to try to stop the programme.

Mr K. C. Pant, Defence Minister, announced in the Indian parliament that India was "reviewing its nuclear options" because of an "emerging nuclear threat" from neighbouring Pakistan. He did not spell out what would be done but added that "our response will be adequate to our perception of the threat."

This is the most outspoken warning yet issued by India which in recent months has been growing increasingly concerned about Pakistan's *nuclear activities and angry* about US plans to go ahead despite these activities with a new $4bn defence and economic aid package for Pakistan.

However, this warning, together with remarks issued yesterday by Mr Rajiv Gandhi, the Prime Minister, also need to be seen in the context of India's current turbulent domestic political situation. It is common practice for India's political leaders to build up concern about national security in order to unite opinion behind the Government.

**Anthony Robinson** reports on the ruling party's election thrust

# Botha drums up fear of the red peril

THE OPENING shots in South Africa's whites-only election campaign were fired in Botswana, Zambia and Zimbabwe almost 12 months ago. The ruling National Party then signalled a shift in emphasis from reform to consolidation of its power base by raiding alleged African National Congress (ANC) bases in the frontline states.

The assumption that a tough line on security issues is the best way to recoup votes on both left and right of the spectrum has run like a golden thread through the party's campaign.

A week ago it took out full-page press advertisements to insinuate that a vote for the opposition Progressive Federal Party (PFP) was tantamount to a vote for the ANC, and, by extension, for communism and terrorism. Last week the Government used armed police to end a six-week illegal strike by black railway workers, followed two days later by another raid against alleged ANC bases in Zambia in which five people were killed.

President P. W. Botha, the man whose finger-wagging "don't push us too far" speech in Durban on August 15, 1985 sank the rand and deepened South Africa's international isolation gave a repeat performance at an army rally in Cape Town three weeks ago. South Africa was not a country of weaklings, he said, before proceeding, in effect, to declare war on the ANC which he said had to be destroyed.

Indications are that Mr Botha's evident belief that attack is the best form of defence has succeeded, at the very least, in confusing his opponents.

It has made it more difficult for the Conservative Party and Herstigte Nasionale Party (HNP) to complain that the Government has been "too soft."

By forcing the PFP on to the defensive it has also, in effect, branded as unpatriotic those who point out that after 40 uninterrupted years of National Party rule South Africa finds itself living under a state of emergency, internationally isolated.

Whereas in previous elections the Nationalists brought out the traditional spectre of the *swart gevaar*, or black peril to tar other parties with being soft on a one-man, one-vote solution which would swamp whites the emphasis this time is on the *rooi gevaar* or red peril.

Given that the ostensible reason for this election is to give the government a mandate from the white electorate to give some form of political representation to the 10m or so blacks living in "white" South Africa, harping on the *swaart gevaar* would have seemed somewhat incongruous. Instead the

Botha: war on ANC

NP has sought to portray the ANC, Africa's oldest and least successful nationalist movement, as nothing more than a bunch of communist terrorists manipulated by Moscow and by exiled South African whites such as Mr Joe Slovo, chairman of the South African Communist Party and former head of the ANC military wing Umkhonto we Sizwe.

Rather unsportingly the ANC announced last week that Mr Slovo had stepped down from Umkhonto. Unfazed, an unsourced but obvious security branch leak to the pro-government newspaper, the Citizen, last week hinted darkly that Mr Slovo would in future dedicate more time to manipulating South Africa's black trade unions.

By focusing on security the National Party has been able to avoid discussing more tangible issues such as the economy and what are its future plans for South Africa.

The PFP, while indignantly denying that it is in any way an ANC stooge or Trojan horse, recognises the ANC as an authentic black political force, alongside the Zulu-based Inkatha movement, the trade unions and other black organisations. The PFP publicly—and many in the army, the NP and other parties more circumspectly—recognise that the ANC will have to be unbanned and negotiated with at some stage in the future.

By painting the ANC in such crude and frighteneng terms during the election campaign, the PFP argues that the process leading up to negotiations will be made more arduous and prolonged. The NP counter-argument is that if the white electorate reconfirms the National Party and sweeps it back to power with a substantial majority then moderate blacks will be persuaded to put their faith in power sharing negotiations on the ethnic group, neo-apartheid basis favoured by Pretoria.

# Sri Lankan referendum plan comes under fire

BY MERVYN DE SILVA IN COLOMBO

SRI LANKA'S former Prime Minister, Mrs Sirima Bandaranaike, who leads the island's main opposition party, the SLFP, yesterday reacted strongly to President Junius Jayawardene's statement that he may hold a referendum, instead of a general election, to allow his government to stay in office until "terrorism is completely wiped out."

Mrs Bandaranaike said "the Government got away with it in 1982 but it better not try the same stunt again because the people's patience is almost exhausted." One member of her central committee added "the UNP should remember what happened in the Philippines."

The ruling United National Party (UNP) held a referendum in December 1982 and extended the six-year term of parliament by another six years. By doing so, the UNP, retained the fiv-sixths majority it had won in July 1977 on 52 per cent of the national vote.

"If a referendum can be held, what is the difficulty in holding a general election," asked Mrs Banadaranaike. The President argues that only a strong government can tackle terrorism.

His reference to a referendum was not in the written text of his speech at a UNP sponsored seminar. Only the independent Sun newspaper reported the remark while the broadcasting corporation and other papers published only the official release.

# Mozambique IMF deal near

By Victor Mallet in Lusaka

MOZAMBIQUE, after embarking on a painful economic reform programme, is poised to receive its reward from the West in the form of its first agreement with the International Monetary Fund (IMF).

Western diplomats in Maputo say they expect the IMF and the World Bank to approve a structural adjustment facility for Mozambique next month which will release about $35m on easy terms from the fund and $90m from the bank, paving the way for more credits from bilateral donors and further rescheduling of the country's $3.2bn foreign debt.

For the IMF, the agreement is seen as something of a gamble. Mozambique's economy is in ruins after years of civil war and mismanagement, but Western *governments* are eager to help a nominally Marxist African country which has moved steadily towards capitalism and private enterprise over the past three years.

# Howe tells NZ of trade danger

New Zealand's anti-nuclear policy is putting the country's trade with Europe in jeopardy, Sir Geoffrey Howe, Britain's Foreign Secretary, said yesterday, AP reports from Wellington.

In a radio interview broadcast only hours before he was to meet Prime Minister David Lange, Sir Geoffrey warned that trade and defence policies could "not be disentangled."

He said there was a feeling in Britain that New Zealand was "floating off on its own" following its ban on port visits by warships carrying nuclear weapons.

This, he said, made it harder for Britain to continue to support New Zealand's efforts to promote its dairy products in the European Community at a time when European dairy production was being cut back in the face of massive production surpluses.

# China likely to join Asian Development Bank board

BY RICHARD GOURLAY IN OSAKA

CHINA is likely to be given a seat on the Asian Development Bank's board of directors at the current meeting in Osaka as the bank's operations become increasingly entwined with global and regional political issues.

For the first time in the bank's 20-year history, the Soviet Union has sent an observer to the annual meeting in a move that delegates expect eventually to lead to an application for membership. The move follows an intitiative launched in Vladivostok by Soviet leader, Mr Mikhail Gorbachev, last July to increase ties with the Asian and Pacific Rim countries.

"It is in the line of active promotion of economic relations with Asian countries," the observer, Mr Yuri Ponomarev of the State Bank of the USSR, said. Moscow says it is responding to a *long-standing invitation* from the ADB but the move follows a sharp increase in China's interest and activity in the bank since it joined last year.

Partly because of its population of more than 1bn, China now controls the third largest voting block in the bank (7 per cent) behind Japan (15.1 per cent) and the US (14.9 per cent). Peking is also likely to host the 1989 annual meeting, delegates at this year's meeting said.

The presence of the two Communist bloc superpowers is likely to highten political tensions within the ADB that are already increasing. Taiwan boycotted the current meeting for the second year because its claim to be the only government of China was being undermined by Peking's presence. The ADB had also renamed Taiwan as "Taipei, China" in order to *avoid having* two members of the bank with "China" as their name.

Some bank officials fear that if the Soviet Union joins the ADB it would champion client states, such as Vietnam and Kampuchea. They say these countries either have the wrong sort of economies or would be politically unacceptable to some Western donor country members.

Many observers feel the bank needs no more problems at this time as it is already struggling to maintain its lending levels. Some borrowers have turned to other sources of capital while the bank's concentration on project loans as opposed to World Bank-style structural adjustment loans has further limited demand from other countries.

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The Export-Import Bank of Japan yesterday offered the Philippines a $300m loan but will insist that it is used for specific projects rather than for budget support and structural adjustment in the economy as Manila had hoped. Last month the world bank signed a $300m economic recovery structural adjustment loan with the Philippines which is, in effect, budget support. Mr Jaime Ongpin, the Philippine Finance Secretary, had wanted the Exim bank to add to this loan in a co-financing on similar terms.

# AMERICAN NEWS

## Meese's business deals under fire

BY LIONEL BARBER IN WASHINGTON

Meese: Reagan's friend

MR ED MEESE, the US Attorney General, who is a close friend of President Ronald Reagan, has become embroiled in a series of controversies surrounding his private business affairs and his role in the official Iran arms scandal investigation.

Mr Meese's difficulties, which are being given a full airing in the US Press, are likely to distract the Reagan Administration further as it tries to rebuild its image in the wake of the Iran affair.

Under scrutiny is Mr Meese's involvement with a New York-based defence contractor, Wedtech, now the subject of numerous criminal investigations for its alleged payments to politically connected law firms and consultants.

Wedtech won a major US Army contract in 1982 when Mr Meese served as a top White House adviser to the President. Mr Meese admitted this month that he ordered a review in 1982 that led to the White House intervention on Wedtech's behalf.

The $30m contract, vital to establishing Wedtech's record as a Pentagon supplier, helped it go public a year later. One of Mr Meese's close friends, Mr Bob Wallach, a lawyer, served as adviser to Wedtech and later was given options on several hundred thousand dollars of *stock in the company.*

This month, it was disclosed that Mr Wallach introduced Mr Meese to a San Francisco investment adviser, Mr Franklyn Chinn, who later set up a *"blind" partnership with Mr* Meese to invest $60,000 of his personal finances. About the same time, in April 1985, Mr Chinn became a consultant to Wedtech and received stock options in the company.

A court-appointed independent counsel is investigating possible criminal charges against Mr Lyn Nofziger, one of Mr Meese's colleagues at the White House in 1982, who also became a consultant to Wedtech, a minority business in the run-down South Bronx, New York.

Separately, Mr Meese is under fire for his role in the initial investigation of the Iran arms scandal. Mr William Webster, then FBI director, and now President Reagan's nominee to head the CIA, has told congress that Mr Meese asked him on October 30 last year to delay any inquiry into a Miami-based charter airline, Southern Air Transport, which was involved in a secret and possibly illegal network to supply the Nicaraguan Contra rebels.

Mr Meese's initial investigation into the Iran-Contra affair has also been criticsed. He failed to secure documents in the office of Lt Col Oliver North, the sacked White House aide, and he did not give either Col North or Rear Admiral John Poindexter a warning of their rights to silence. Mr Meese had responded by saying that he did not consider his talks with either men an investigation, nor did he suspect any criminal wrongdoing.

He has also suffered money problems: his appointment as Attorney General in 1984 was held up for months while an independent counsel investigated his financial affairs.

## Canada opens death penalty debate

By Bernard Simon in Toronto

CANADA'S House of Commons began yesterday what *is expected to be a drawn-out* and devisive debate on the return of the death penalty.

Each of the 282 MPs will have up to 20 minutes to speak on a government motion *supporting* the principle of capital punishment. The two main parties have agreed to allow a free vote along non-party lines.

If the motion is eventually passed, a *special committee* will be set up to draft legislation specifying which crimes should be punishable by death and what method of execution should be used.

*Well* over half the MPs are expected to support the motion. Opinion polls indicate that more than two-thirds of the public at large also favour the return of the death penalty, which was abolished in Canada in 1976.

## Mobil joins exodus of corporate giants from New York City

BY WILLIAM HALL IN NEW YORK

MOBIL, the second biggest US oil company, has joined the growing list of US corporate giants which are moving out of New York and setting up their headquarters in less expensive *locations.*

Mobil, which has been based in New York for more than 120 years, is quitting its 42-storey skyscraper across the street from Grand Central station, in *mid-town Manhattan,* and is moving to Fairfax, Virginia, a suburb of Washington.

Mobil's decision to quit comes six months after Exxon, its main rival, sold its Rockefeller Centre headquarters for $610m to the Japanese and follows a well publicised row between AT&T the telephone company, and New York's Mayor, Ed Koch, who has threatened to *"sue the hell" out of* AT&T after it disclosed it was planning to move most of its Manhattan headquarters staff across the river to cheaper quarters in New Jersey.

There have also been widespread rumours that two other famous New York institutions, NBC, one of the three big US TV networks, and J. C. Penney, the third largest US department store group, are planning to move out of New York because it is getting too expensive.

Mr Allen E. Murray, Mobil's chairman and a native New Yorker, said that the decision to move had been difficult "particularly when one recalls that Mobil Oil Corporation *emerged from* Socony, the Standard Oil Company of New York."

The company, which employs 1,900 staff at its Manhattan headquarters, had some of its headquarters *staff* based in Fairfax for the past five or six years and says there are inherent organisational innefficiencies that cannot be addresed when headquarters operations are divided between two places.

In addition, it says the New York building is much more expensive to operate than Fairfax. Mobil says some workers are reluctant to accept jobs in New York because of the high cost of living and commuting problems.

"Every company that has moved out ultimately was very sorry," said Mayor Koch. According to the latest Fortune list of the top 500 US companies the number with headquarters in Manhattan has dropped from 61 to 53 over the past year.

Shell Oil, Texaco and Conoco all quit New York City in the 1970s and Mobil's departure means that *among* the US *oil* majors only Exxon, the world's biggest oil company, retains offices in the city. However, it has reduced sharply its New York workforce over the years and now employs only 325.

Mobil stressed that it was not quitting the city because of a row with Mayor Koch, who has been particularly angered by AT & T's decision since the city gave the company valuable tax concessions to encourage it to build its headquarters on Madison Avenue.

Mr Herb Schmertz, a director *of Mobil, and* the firm's chief spokesman, said that the move was "not the fault of New York City" but just reflected the competitive situation.

Analysts note that the company stands to make a handsome profit if it sells its New York headquarters and will probably be able to rent office space in Virginia at less than half the price of mid-town Manhattan.

Mayor Koch appeared to be relatively philosophical about the latest desertion. "We don't like to see a single company leave. But every year there will be some that move out and some that move in," he said.

## Brazil left with a power vacuum

**The departure of Dilson Funaro is unlikely to lead to a quick solution *to debt problems,* reports Ivo Dawnay**

ANY HOPES among the international banking community that the resignation at the weekend of Mr Dilson Funaro, the Brazilian Finance Minister, will unlock a solution to the country's debt problems are premature.

*Too much fiery political* rhetoric has been unleashed here since the suspension in February of interest payments on $68bn (£42.5bn) of longer term loans for any public *U-turn yet. Nor is it certain* that President Jose Sarney is intent on such a course.

As one leading adviser to Mr Funaro said last Saturday, "It must not be forgotten that the *president's only objection to the* suspension of payments was that it came too late, when reserves had already fallen too low."

Nevertheless, Mr Funaro's departure leaves a huge imponderable on Brazil's political horizon. Since his survival came into question last January, he had expanded his already formidable empire to dominate all sectors of the economic planning establishment.

With the backing of President Sarney, he, in effect, annexed both the important Planning Ministry, forcing the resignation of its minister, Mr Joao Sayad, and the Central Bank, with the departure of its president, Mr Fernao Bracher—an advocate of a conciliatory negotiating strategy on Brazil's $113bn foreign debt.

This creates an enormous potential power vacuum which his successor will not be able to fill easily. Mr Funaro was the most powerful member of the Sarney administration.

Mr Sarney's first task is to find a replacement who can reconcile the often conflicting standpoints of business and political interests on both domestic and foreign strategy.

The most immediate example of this lies in the insistence of leaders of the dominant Democratic Movement Party (PMDB) that the choice must have their approval. It was the statement last Friday of Mr Ulysses Guimaraes, the PMDB president, that the party demanded the right to name Mr Funaro's successor that appeared to provoke his resignation.

Publicly, both party and president have trumpeted three *essential dogmas: there can be* no solution to the foreign debt issue that involves a reduction of growth targets of 7 per cent a year; real standards of living, improved substantially under *the* anti-inflationary Cruzado plan, must be maintained; strategies on the domestic front that could involve recession are ruled out.

These dogmatic statements have all the authority of last year's promised zero inflation and the credibility of King Canute's attempts to hold back the tide.

Some believe that Mr Sarney's long delay in responding to the demands for Government action on the economy, has been intentional—aimed at allowing the Utopians in the PMDB to learn to lower their aspirations.

In fact, a specific programme of immediate measures to set the country back on an even keel has been presented in the press by Mr Luiz Bresser Pereira, an economist, director of a big supermarket chain and secretary for science and technology in the state government of Sao Paulo.

Mr Pereira also happens to be a leading candidate for Mr Funaro's job and, with hind*sight, his prescription may have* been intended as an election manifesto. More important, both for Brazil and its creditors, it *contains exactly the kind of* reasonable objectives that might satisfy all parties.

Identifying the country's problems as inflation, lost trade surpluses and recession, he calls for two parallel strategies, one external, one internal.

On the more urgent external front, he argues for the establishment of quantitative targets for monthly trade surpluses, the public sector deficit, the expansion of domestic credit and the monetary base. Unlike an International Monetary Fund programme, however, he would set a growth target of 3.5 per cent for 1987 — or half the current, absurdly optimistic, 7 per cent.

On the internal front, he proposes the stabilisation of inflation—now at 14.4 per cent a month—prior to a new effort to *eliminate its inertial* elements through the indexation of money, but without a new price freeze.

"To negotiate," he wrote, "we cannot just have negative argu*ments—the threat to keep up* the suspension of payments—we need also positive ones, we must be able to say to our creditors that we will not pay the principal nor all the interest, but that we will be able to pay part of the interest."

## Home loan bank chief named

By Nancy Dunne in Washington

MR DAN WALL, former staff director of the Senate Banking Committee from 1981 to 1986, has been nominated by the White House to be the next chairman of the embattled Federal Home Loan Bank Board.

He is expected to win confirmation from Congress, since he has the support of both the past committee chairman, Senator Jake Garn, who he served as an aide, and the current chairman, Senator William Proxmire.

The job is *fraught* with difficulties. Many of the nation's thrifts, which the bank board regulates, are in severe straits. The Federal Savings and Loan Insurance Corporation, which *insures* them, is virtually bankrupt and Congress has thus far failed to agree on a recapitilisation plan.

The current chairman, Mr Edwin Gray, whose term expires at the end of June, has been damaged by revelations that he allowed industry groups to pay millions of dollars of bank board members' travel and entertainment expenses.

## Airlines fly into Senate flak

BY NANCY DUNNE IN WASHINGTON

SENATORS and congressmen are among the most frequent and fussiest fliers in the US. *They are also among the most* privileged.

Last week, in subcommittee hearings, they gave airline industry executives an earful of complaints, shared with the less cosseted public, about late take-offs, lost luggage, and service foul-ups. Some say their beefs reflected a widespread unease about flight safety and industry consolidation follow*ing deregulation.*

"We are frequent travellers," said Senator Wendell Ford, chairman of the aviation subcommittee. "We are the ones observing you every day, and there's something seriously wrong."

Senator Nancy Kassebaum, a Republican from Kansas, said: "Either the airlines will have to correct their problems or we will have to."

Also up in arms are participants in so-called frequent-flier programmes, who get points for each trip and free tickets after they earn a specified number of points. However, recent decisions by several carriers to raise the number of points needed for tickets have brought *cries of foul.*

Congress is considering legislation to force the airlines to disclose publicly their service records. One bill would require them to print on ticket *folders* such *information* as their records on non-weather-related delays and the percentage of passengers whose luggage was misrouted.

Another would make airlines disclose how many discount fares are available on each flight. Other senators are proposing to levy stiff fines for each ticket cancellation.

The number of complaints about US flight delays soared 43 per cent in the first quarter of the year as a result of overbooking, according to Senator Ernest Hollings, chairman of the Senate Commerce, Science and Transportation Committee.

Senator Hollings, who has claimed that route changes growing out of deregulation have forced him to spend more time *in North Carolina than in* his home state, South Carolina, said an average 1,114 flights a day were delayed last year.

Partly, he said, the delays were caused by lack of airport capacity and *outdated* air traffic control equipment, but mostly it was the fault of the airlines.

Part of the problem is the sheer size of the passenger load, which has claimbed from 278m in 1978 to 415m in 1986. While the airlines attribute the increase to deregulation and lower fares to major cities, many law-makers still worry that deregulation has tempted the busy airlines to cut corners on safety and curtail service.

# WORLD TRADE NEWS

## US urges Hong Kong to push for free trade

BY DAVID DODWELL IN HONG KONG

MR Malcolm Baldrige, the US Secretary of Commerce, yesterday called on Hong Kong to take a leadership role in promoting free trade in the Asian region.

He spared Hong Kong the criticism pointed at Asia's protected markets, particularly Japan, Taiwan and China, and provided hints that protectionist laws being negotiated through Senate and Congress are likely to be drafted so that models of free trade such as Hong Kong and Singapore will escape their worst effects.

Exactly what the US Administration wants Hong Kong to do to exert pressure for greater free trade in Asia was not made clear, but local officials emerged from meetings with Mr Baldrige relieved that Hong Kong had not joined Japan, China and Taiwan as targets of US wrath.

Mr Baldrige hailed Hong Kong's important role as a "commercial ally and competitor," and said *its lack of tariff* and non-tariff barriers, and its stringent intellectual property protection laws, served as an example to China and other countries in the region.

Mr Baldrige had arrived in Hong Kong from Peking, where he had called for better access for US goods, and warned that China's 65 per cent growth in exports to the US last year was not a trend that could be sustained.

There was speculation before Mr Baldrige's visit, which follows visits to South Korea and China, and in advance of a visit to the Philippines, that there would be pressure to revalue the Hong Kong dollar against the US currency. Some parties in the US have complained that trading partners *in Asia are gaining an unfair* advantage by artifically depressing their exchange rates to ensure competitive access to the US.

Hong Kong is America's tenth largest *trading partner,* and maintains a substantial trade surplus with the US—about $8.1bn last year. There have been fears that the US might call for this imbalance to be corrected.

In the end, and much to Hong Kong officials' relief, nothing was said on revaluation of the currency. From Hong Kong's point of view, the silence spoke volumes, and recent speculative pressure against the local currency is likely to fall away.

It appears that Mr Baldrige gave assurances that new trade laws were unlikely to damage the interests of free-trade regimes such as Hong Kong. Hong Kong officials have argued that the territory should escape protectionist reprisals because it has not protectionist barriers of its own.

On textiles, Mr Baldrige predicted further friction. Hong Kong is the world's biggest textile exporter and is America's largest supplier, selling the country more than 40 per cent of its production. Over the past three years, protectionist laws have narrowed the scope for growth in sales of textiles to the US.

## UK ports mission to China

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE EXPANSION of the UK's aviation and ports construction interests in the Far East and Southeast Asia is the objective of a fortnight's official visit there by Mr Michael Spicer, Minister for Aviation, from April 28.

The trip includes aviation talks in Peking, Hong Kong and New Delhi and a specially-convened Chinese-British ports mission in Peking.

During his stay in Hong Kong, Mr Spicer will discuss with the Hong Kong government and local airlines the development of air links with China.

He will visit China at the invitation of the Ministry of Communications to head a British commercial ports mission in Peking, comprising representatives from six key consultancy, equipment and construction companies, who are interested in projects to develop port facilities in various parts of China including Shanghai.

## Taiwan lifts hopes on market access

By Robert King in Taipei

TAIWAN's recent announcement of big tariff cuts on more than 860 imports might prove to be the start of a major trade reform that could counter protectionist sentiment against Taiwan in the US and ultimately make Taiwan more accessible for European companies.

The American Institute in Taiwan, the unofficial US embassy in Taiwan, has called Taipei's apparent commitment to open its *markets* the *focus* of trade talks held earlier this month in Washington.

During the talks, Taiwan announced tariff cuts of up to 50 per cent on 62 of 66 *items the US had submitted* for consideration as part of an overall package of 862 imports.

The tariff reductions represent the most sweeping which Taiwan has made so far in terms of scope and value. Apparel, for instance, which accounts for a large part of Taiwan's annual exports, falls into the 50 per cent category and is now taxed at only 15 per cent.

Unhappiness in the US over Taiwan's slowness in lowering tariff and non-tariff barriers to American goods prompted the move

Taiwan registered a $13.6bn (£8.2bn) trade surplus with the US last year while maintaining relatively high duties and outright bans on certain products and services which the US *believes* would be successful.

As a result of this surplus, the US is putting pressure on Taiwan to revalue its currency, which has already risen by about 15 per cent against the dollar over the past 16 months, and to remove its trade barriers or face the consequences.

In the past week, Taiwan has begun considering another 300 items including videotape recorders, colour televisions, foodstuffs, and chemicals, *for further tariff* reductions.

The Government has also been actively campaigning for private Taiwanese companies to begin making major investments in the US, both as a way of countering protectionism and acquiring much-needed marketing and distribution knowhow.

Obstacles preventing sales to Vietnam appear to be falling, writes **Steven Butler**

## Scramble starts for business with Hanoi


THE six-member Association of Southeast Asian Nations (Asean) is preparing yet another protest note—this time to be delivered to Japan—over trade with Vietnam. Asean says it wants other nations to shun Vietnam until *140,000* Vietnamese troops are pulled out of Kampuchea.

The note is sure to be shrugged off in Tokyo, because Asean's ire was aroused by the *actions of a private Japanese* company over which the government says it has no control. Nissho Iwai, the Japanese trading group, recently granted Vietnam long-term credits in an effort to boost business.

Shrugged off in Tokyo, the note will arouse chuckles in Hanoi. Singapore, whose foreign minister is head of the Asean foreign ministers work*ing group, is Vietnam's second* largest trading partner outside the socialist bloc, and it is not just entrepot trade.

Far East Levingston (FELS), Singapore's government-controlled shipyard, is building more than $100m (£60.6m) of oil rig equipment for Vietnam. Singapore oil companies are bidding for the next export of Vietnamese crude oil.

The Singapore-based Deer Brand noodle company has provided new food processing equipment and is taking payment in kind, amounting in effect to a credit sale. Another private Singapore company, Sunbeam Trading and Engineering, has entered into one of the first, experimental 50-50 joint ventures in Ho Chi Minh City, building a shipyard *facility for the construction of* ships up to 6,000 dwt or the repair of vessels up to 10,000 dwt.

With Vietnam now firmly set on a course towards decentralising the economy and boosting trade with the West, many companies have begun a scramble, albeit a quiet one, to get in on the ground floor.

The Japanese, as one might guess, are way out front, selling vehicles, steel pipe, televisions, and textile materials, while buying back sea products, wood, anthracite, scrap iron, and a miscellany of farm products. Japan sold more *than Y1bn (£4.3m) of freezing* equipment last year, and bought back Y7.7bn of frozen shrimp. Bilateral trade in 1986 was $272m, heavily in Japan's favour.

After Japan, there are some strange bedfellows. South Korea has become a major trade partner, buying 500,000 tonnes of anthracite coal a year, and some logs. Even more surprising, the Samsung televisions sold in Vietnam's dollar shops are not imports, exactly. They are assembled in Ho Chi Minh City from complete and semi-knockdown kits shipped in from Korea. Goldstar, Korea's other consumer electronics giant, is trying to set up a *similar* arrangement.

About half a dozen Japanese companies are shipping in knockdown electronics kits. Honda will be starting soon with motorcycle kits, and Toyota is looking into an arrangement for automobile assembly.

It is not yet clear that anyone is making much money yet. The rescheduling of loan payments to Japanese companies is practically a full-time occupation, although the Vietnamese have kept current with interest payments to Japan.

Other lenders have been less fortunate. *At the end of 1985,* Vietnam's total foreign debt was $8.1bn, while the national income could not have been much greater than $11bn. Of the total debt, $1.67bn was to the West, with arrears *amounting to* $471.7m for principal, and $136.1m for interest. Vietnam has negative foreign exchange reserves.

Vietnam's foreign trade opportunities are *still* severely constrained by international protest against its occupation of neighbouring Kampuchea, with the US boycott delivering the punches that hurt most. Largely because of the US influence, Vietnam is cut off from help from the World Bank, and the extensive network of Western government credits for trade with developing countries.

Most of Vietnam's trade is with the Soviet bloc countries on a barter basis, and there are suspicions that the terms of trade are not what they might be. Some bicycle shipments to East Germany, for example, have been turned over to West Germany, with the East Germans taking home hard currency that Vietnam needs badly. Vietnamese officials say they lack the channels and experience to sell their goods direct to the West.

Vietnam has, however, learned to take a ride on other nation's *textiles* quotas. Hong Kong companies deliver material, and companies in Ho Chi Minh City stitch together a shirt for about 60 cents — including stitching on a label *that reads made* in anywhere from the Maldives to Taiwan.

Textile officials in Ho Chi Minh City say they have received legitimate quotas from Sweden and West Germany, and are pleased about being able to attach their own labels. The city plans to increase its clothing production five-fold over the next three years, with most of the increase headed overseas.

Few foreigners leave Vietnam without a sense that Vietnam's trade potential is vast, from the immense coastal resources to the apparent high quality of one of the world's cheapest labour forces. If Vietnam succeeds in its reform efforts, and the economy takes off, it will need capital and technology that only the West can provide. The domestic *market, with a population of* 65m that has surprisingly sophisticated tastes, is also potentially attractive.

For all these reasons, many Western companies are quietly establishing a presence in Vietnam, betting that the removal of domestic and international constraints on Vietnam's foreign trade is just a question of time.

## Go-ahead for Sydney tunnel

BY CHRIS SHERWELL IN SYDNEY

THE New South Wales state government yesterday gave the go-ahead for one of the country's most ambitious and controversial construction projects, an A$408m (£183m) tunnel under Sydney harbour.

The tunnel is to be built and operated by a joint venture of Kumagai Gumi, the Japanese construction company, and Transfield, an Australian group. The aim is to ease traffic congestion between the north and south of Australia's largest city.

Controversy has focused on the absence of an international tender for the project, the way it is being financed, its environmental impact and the question of whether it will solve Sydney's traffic problems.

But the state government has pushed ahead relentlessly with the proposal since announcing it 13 months ago, and yesterday it passed the final hurdle of a cabinet committee.

The 2.4km, four-lane tunnel is to be carved from sandstone on the land approaches and as an immersed tube across the harbour floor. *It will be sited next* to the harbour bridge and is scheduled to be operating by mid-1992.

### Traffic problems

The main source of finance will be an increased toll of A$1 on the bridge and a similar toll on the tunnel, both indexed to the inflation rate. The current bridge toll is 20 cents.

Under the fixed price contract, Kumagai, Gumi and Transfield will receive an A$223m loan from the state government for the five year construction period. The joint venture will also issue 30-year bonds worth A$450m, and put up A$47m itself.

Some 200,000 vehicles use the harbour bridge every weekday. While the tunnel will increase capacity, it is not clear whether traffic problems on the central city side will be eased.

At least four proposals have been put up as alternatives to the tunnel. They included a second traffic deck on the bridge, the creation of extra lanes on the bridge, a rail tunnel and a separate light rail system at another location.

Opinion polls suggest that a majority of the Sydney public supports the plan for a tunnel, one of several major construction projects under way in Sydney. Also causing controversy is a monorail system, and the vast Darling harbour redevelopment, which includes a hotel and casino.

## Delhi selects partners for refinery project

BY K. K. SHARMA IN NEW DELHI

NEW DELHI has selected Indian private sector groups to partner state-owned oil companies in two oil refinery projects. This suggests that Indian companies will be given preference in such projects.

Tata Chemicals is to partner government-owned Indian Oil for the 6m tonne refinery at Karnal *in Haryana state. Shell* International bid for the project much earlier than the sucessful Indian company.

Tata Chemicals and Indian Oil will both have a 26 per cent equity share in the Karnal refinery which is expected to cost Rs15bn (£735m). The remaining funds are to be raised from the Indian capital markets.

This is expected to be the pattern for big industrial projects in India for which funds have not been provided in the country's five-year plan.

The approach involves public and private sector companies becoming partners in industrial projects, with both contributing to their equity capital and raising funds for them from the capital market.

It is hoped that in this way profit-making *government*-owned companies will generate their own investment funds from earnings and use the managerial expertise of private sector partners.

The same concept is being applied to the 3m-tonne oil refinery to be built at Mangalore on the coast of Karnataka state. Indian Rayon, the Birla-owned company, has been chosen as the government-owned Hindusthan Petroleum's partner and both are to make a project feasibility study.

# Newspapers face charges over spy book reports

BY PETER RIDDELL AND RAYMOND SNODDY

SIR MICHAEL HAVERS, the Attorney General, is to institute proceedings for contempt of court against The Independent and two other newspapers for publishing material from Mr Peter Wright's banned book Spycatcher.

The memoirs of former M15 Counter-Intelligence officier Peter Wright have been the subject of extensive litigation in both the UK and Australia.

In Australia the Government lost a long court case to prevent publication of the book and is now appealing against the decision. In July the Appeal Court in London dismissed an appeal by The Guardian and The Observer against a High Court order banning them from repeating allegation made by Mr Wright.

Yesterday's move came as the Government was put under strong pressure in the House of Commons to make a full statement on an alleged plot by some M15 officers to bring down Mr Harold Wilson's Labour government in the mid-1970s.

Labour MPs headed by Mr Tony Benn, a Cabinet Minister at the time, unsuccessfully sought an emergency Commons debate. He accused Mrs Thatcher of attempting to "suppress information about the disloyal and illegal activities of the security services and hence misleading Parliament and the public."

Under the protection of parliamentary privilege Mr Benn quoted from the Independent report about Mr Wright's book that in 1974 "30 M15 senior officers were engaged in a politically motivated plot to hound Harold Wilson from office as Prime Minister."

Sir Michael moved quickly against The Independent, which published long extracts claimed to be from the book yesterday morning, its editor Mr Andreas Whittam Smith, and the London Evening Standard and the London Daily News, which followed the story up, and their editors.

In a statement yesterday the Attorney General said he took "the view that these articles could effect the administration of justice in relation to the proceedings brought by him against The Observer and The Guardian, which will be heard by the House of Lords in June."

In the Commons Labour MPs clashed with the Mr Bernard Weatherill, the Speaker (chairman), over how far references to the issue were banned since the matter was *sub judice*. Mr Dennis Skinner urged the Speaker to "get on your bike and get it discussed quick" while Mr Weatherill described as "reprehensible" attempts by Labour MPs to involve him in political controversy.

Mr David Steel, the Liberal leader, also called for a full statement and urged the Government to drop *its case in the Australian courts*, while repeating his call for a parliamentary committee to oversee the intelligence services.

# Government steps up aid for inner cities

BY HAZEL DUFFY

MORE HELP is to be given by the Government to the inner cities with the expansion of an experimental scheme designed to target public money more effectively.

Mr Kenneth Clarke, Paymaster General, told the House of Commons yesterday, that he was adding eight more areas, to be funded with £8m, to the existing eight where Task Forces operate. The teams, operating from shop-front offices, aim to improve training and increase employment opportunities in small inner-city areas.

At the same time, the five special City Action Teams, set up to improve co-ordination between government departments in targetting aid, are to receive £5m. Only one, in Newcastle/Gateshead, had special funds allocated to it when they came into operation two years ago.

*At a press conference afterwards*, Mr Clarke denied that the timing of the announcement had anything to do with the possibility of an election in the near future. But he added that inner cities would be a major theme in the manifesto "because we have a good story to tell on what we are *achieving*."

Ministers today launch a series of presentations, starting significantly in London Docklands, which will tour the country telling "decision makers and opinion formers" concerned with urban regeneration about what the Government is doing in the inner cities.

The new areas in the Task Forces scheme are Coventry, Preston, Doncaster, Hartlepool, Nottingham, Rochdale, Wolverhampton and Tower Hamlets in London. They join eight areas set up under the Inner Cities Initiative in February 1986. This money is additional to grants and other government funds going into these areas.

Mr Clarke admitted that the success of the first eight had varied and that performance of the scheme was difficult to evaluate.

# Air defence contract awarded to ICL group

By Lynton McLain and David Thomas

A CONSORTIUM led by ICL, the largest UK-owned computer group, has won the contract to provide a new computerised defence system for the Royal Air Force, which will form a key element in the Nato shield.

The contract for the RAF strike command's control system is likely to be worth between £70m and £100m, making it one of the largest computer contracts awarded by the British public sector.

The new system is to be installed at the headquarters of RAF strike command at High Wycombe, north-west of London, with workstations at other RAF bases.

Some details of the contract, including the timing of the introduction of the system, have still to be worked out.

The ICL consortium will manage the introduction of the system and supply the hardware and software, Besides ICL, it is made up of Computer Sciences, Information Processing and Lynwood Scientific Developments, three UK computing companies.

The ICL consortium won the contract in competition with three other groups of companies from Nato countries which were invited to bid by the Ministry of Defence.

Two, led by Thorn EMI and GEC-Marconi were ruled out by the Ministry for submitting bids that did not comply with the terms of the Ministry's specification.

The Thorn EMI consortium comprised Scicon of the UK, Control Data of the US, ESG of West Germany and Sobemap of Belgium. GEC-Marconi had formed a team with Logica of the UK and Honeywell of the US.

Both these consortia were unable to demonstrate to the ministry their capability for producing a multi-level security system.

Plessey of the UK and Hughes of the US competed with the ICL consortium in the final run up to the award of the contract.

Some of ICL's competitors claimed last night that all the consortia had found it difficult to meet the ministry's needs,

Defence squeeze, Page 19

# Bank forecasts hard talking on rules for capital adequacy

BY HUGO DIXON

AGREEMENT between the Bank of England and other British regulators on rules for banks' capital adequacy will not be reached easily, a senior Bank official said yesterday.

Mr Richard Farrant, senior manager of the Bank's supervision division, argued that last year's Financial Services Act, which was spawning a new set of self-regulatory organisations, made such co-operation necessary. Otherwise there would be "a complex web of different requirements of different regulators."

His comments come at a time when the Bank of England and The Securities Association are having difficulties deciding on common capital adequacy rules. All they have managed to reach agreement on are arrangements for one supervisor to delegate the monitoring of capital adequacy to the other.

"It is not that easy to find common ground," Mr Farrant said. "Agreements of this kind will initially be fragile, and they will have some rough edges."

The main problem, he said, was that securities supervisors traditionally applied uniform capital requirements and a breach of those automatically triggered a response. The Bank of England's approach was more subjective and allowed it to develop different requirements *for different institutions*.

Mr Farrant made his remarks yesterday at a seminar on regulating foreign banks in London organised by the Financial Times and Deloitte Haskins & Sells, the accountancy firm.

He also said that, under the new Banking Bill, the Bank would be looking to the accountancy profession to help it to ensure that proper accounting records and control systems were maintained. This new relationship between the Bank and accountants would "depend crucially on goodwill on both sides."

However, one accountant speaking at the same seminar said he was not happy about the breadth of issues such reporting would be expected to cover. Mr Shaun Pitt, a *partner of Deloittes*, said accountants should not be expected to report on the efficiency of management decision-making, only the narrow issues of accounting records and control systems.

Mr Michael Gabitass, senior vice-president of Swiss Bank Corporation, said he was worried that both the new Banking Bill and the Financial Services Act contained provisions which were extra-territorial. This could produce a conflict with the Swiss bank secrecy laws.

In particular, he was concerned with the powers of inquiry, search, investigation and disclosure

Mr Geoffrey Taylor, chairman of Daiwa Europe Finance, spoke of the vulnerability of being a Japanese bank in London in reference to the recent row over the openness of *Japan's financial markets. Daiwa is* one of the two Japanese securities firms with British banking licences and has been obliquely threatened with its cancellation.

# Mullard chief resigns

BY DAVID THOMAS

MR IVOR COHEN is resigning as managing director of Mullard, the UK electronic components subsidiary of Philips of the Netherlands in order to pursue private interests.

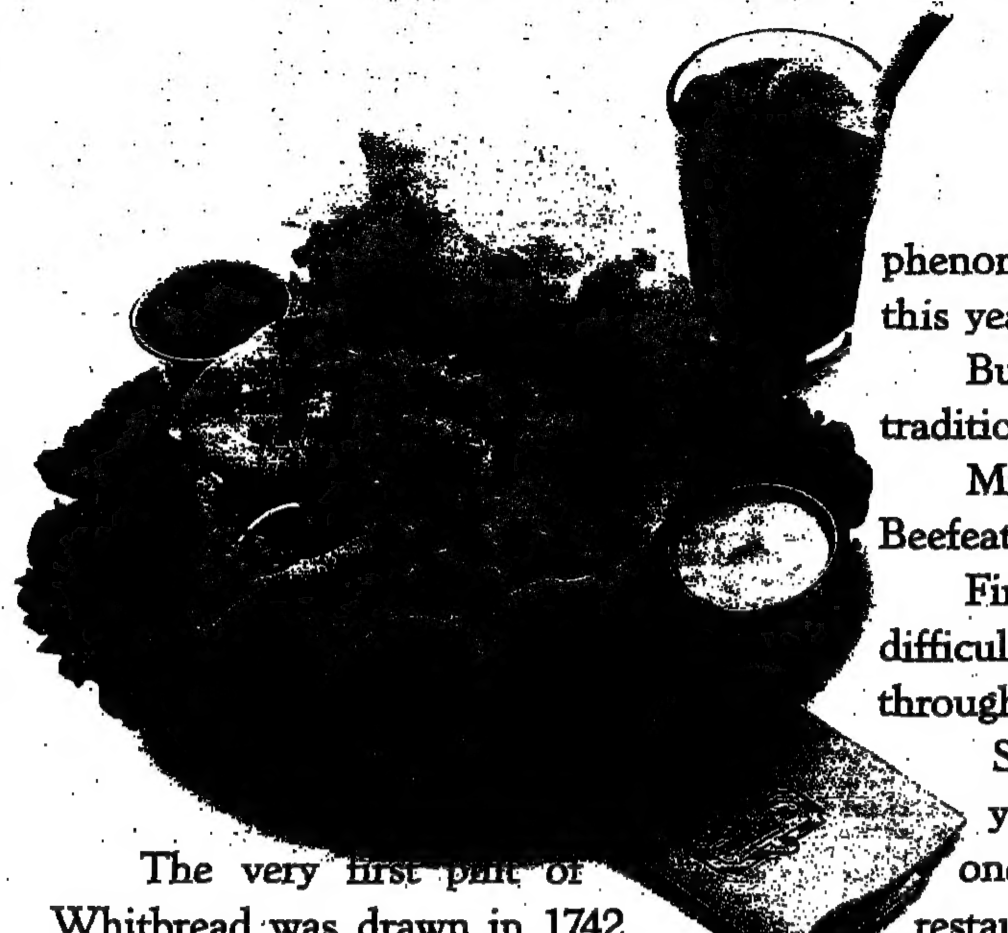
Mr Cohen, aged 58, is retiring early from the post which he has held since 1979.

Mullard, which has sales of more than £300m and employs about 7,000 people, stressed that Mr Cohen's departure was entirely amicable on both sides.

Mr Cohen, who will leave Mullard at the end of July, is widely regarded as one of the most articulate and knowledgeable managers in the UK electronics industry.

Mr David Kynaston, aged 46, is to be the new managing director of Mullard.

# Whitbread the brewer: a teetotaller's guide.



The very first pint of Whitbread was drawn in 1742.

For the next 2 centuries or so our sole concern was to quench the nation's thirst with an ever-growing portfolio of fine ales and beers.

But a few years ago, we espied a yawning gap in the market that was yearning to be filled.

We refer, of course, to the nation's stomachs.

Just how far we have gone to satisfy their appetite will shortly be revealed: join us, if you will, on a tummy-rumbling tour of Whitbread's catering interests.

First stop is TGI Fridays.

If you have never heard of it, believe us, you soon will.

The waiters are wacky, the menu wondrous and the atmosphere decidedly West Coast.

The success of our first TGI Fridays, in Birmingham, was nothing short of phenomenal, and more will open this year.

But perhaps your taste is for more traditional fare?

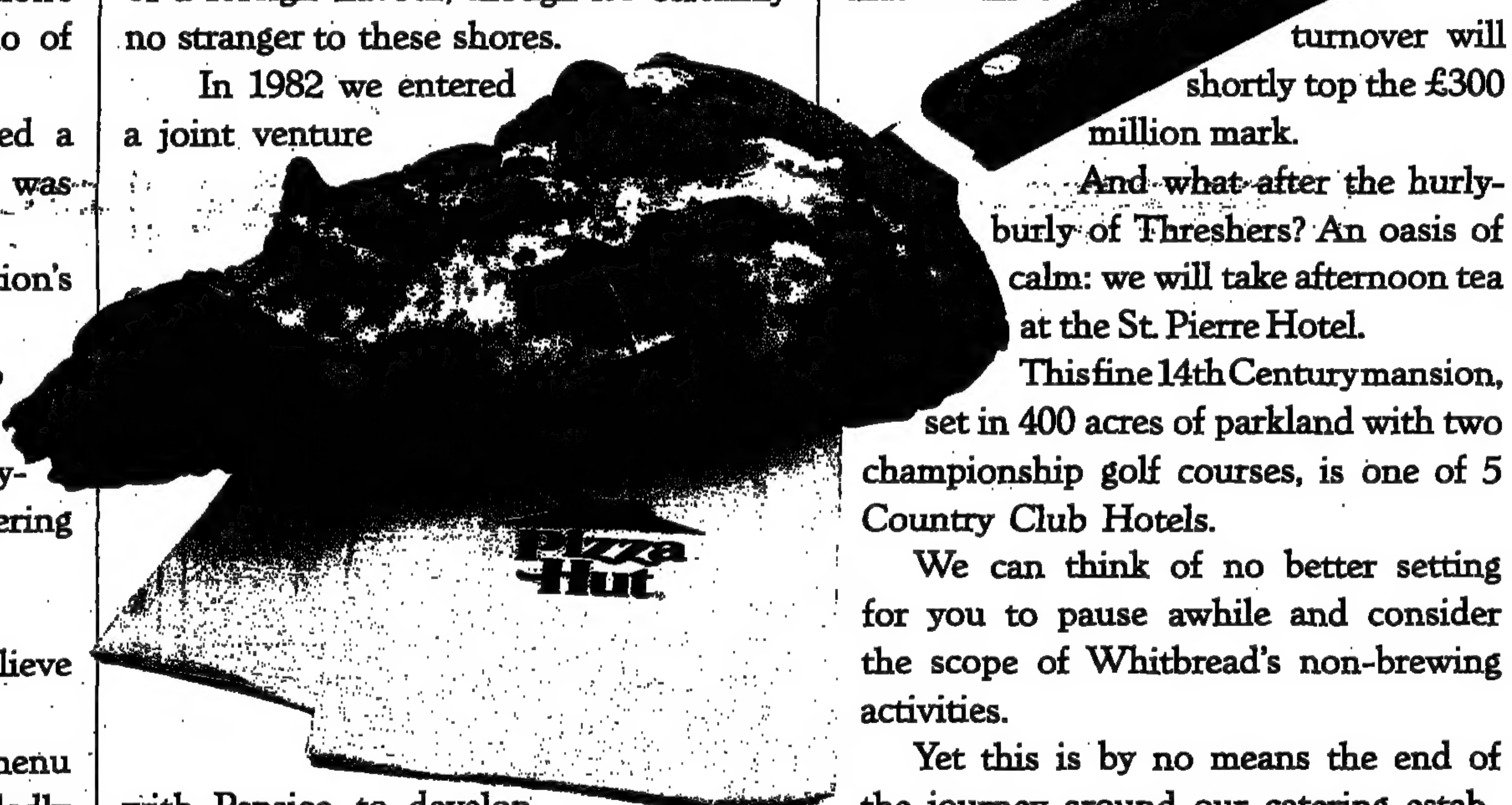
Might we therefore suggest our Beefeater Restaurants?

Finding one should present no difficulty, since there are now 183 throughout the land.

Serving some 8 million meals a year, Beefeater is without doubt one of the country's fastest growing restaurant groups.

Our next port of call has something of a foreign flavour, though it's certainly no stranger to these shores.

In 1982 we entered a joint venture with Pepsico to develop the Pizza Hut restaurant chain in the UK.

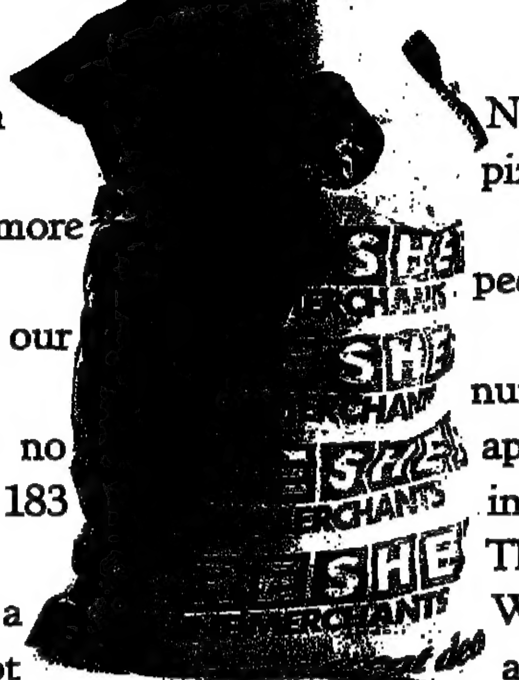




And develop them we have. 3 years ago there were 35 Pizza Huts in Britain.

Now there are over 100.

And a new one is opening, on average, once every 10 days.



Now you've finished your pizza, may we move on?

And if you're still rather peckish, don't worry.

You'll find crisps, nuts and chocolate bars aplenty at our next stop in the Whitbread empire: Thresher off-licences.

With over 800 branches and a million customers crossing the thresholds of Threshers each week, we confidently expect that its annual turnover will shortly top the £300 million mark.

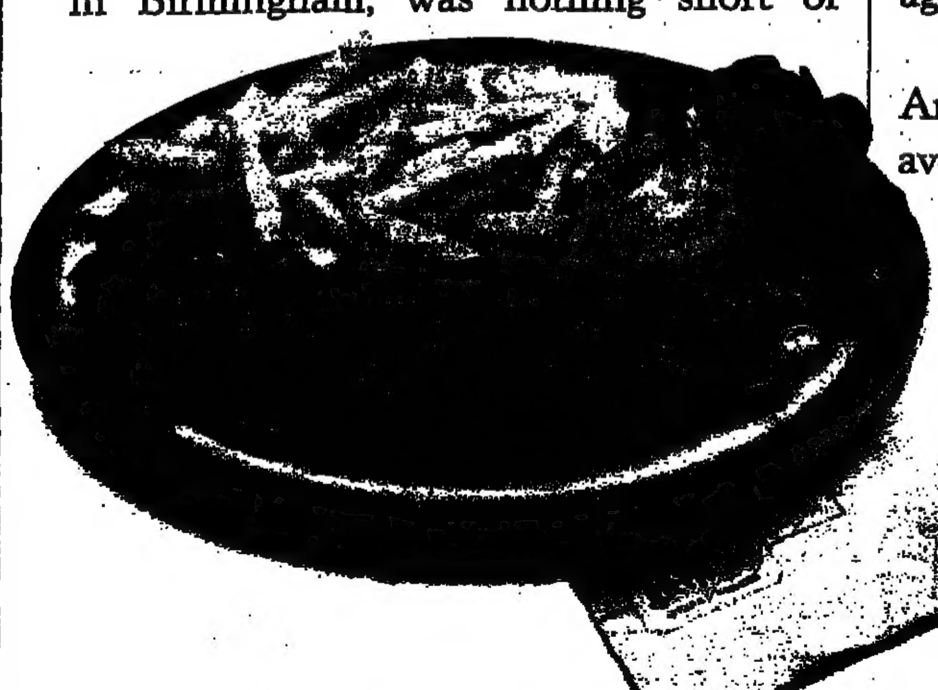
And what after the hurly-burly of Threshers? An oasis of calm: we will take afternoon tea at the St. Pierre Hotel.

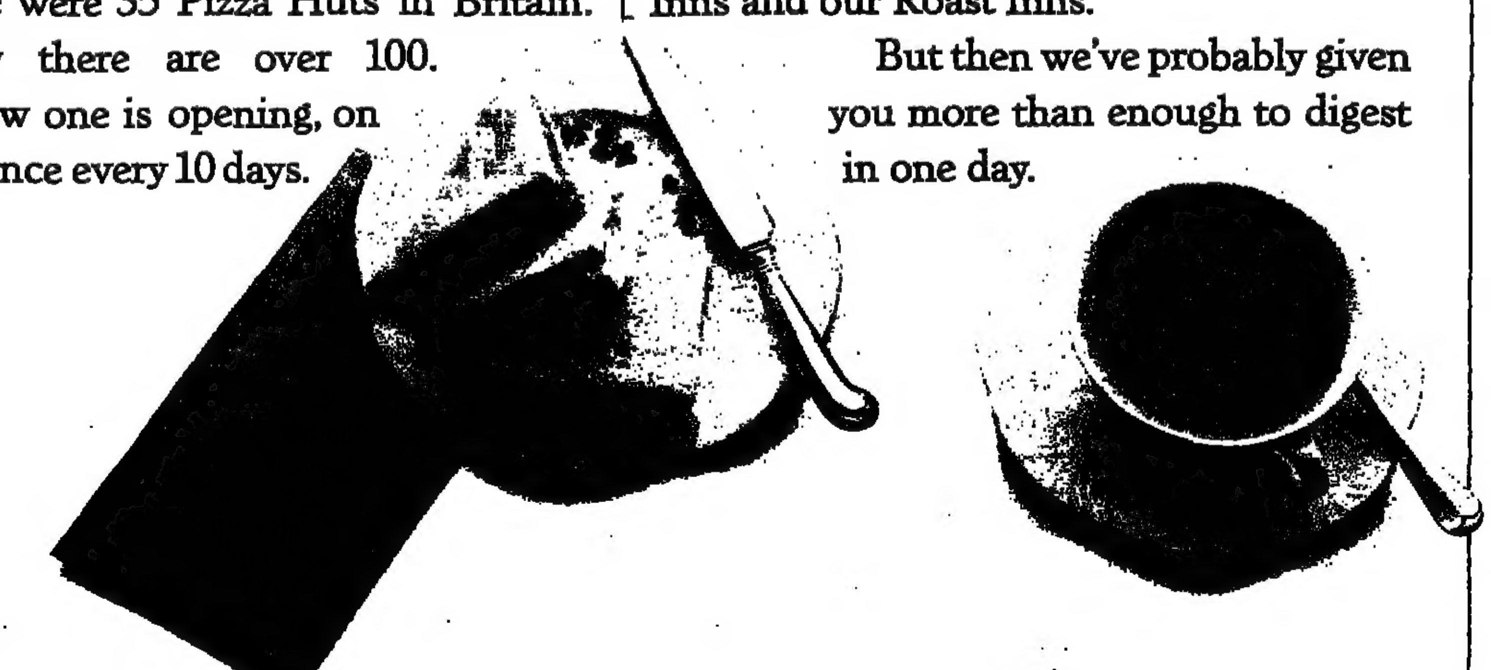
This fine 14th Century mansion, set in 400 acres of parkland with two championship golf courses, is one of 5 Country Club Hotels.

We can think of no better setting for you to pause awhile and consider the scope of Whitbread's non-brewing activities.

Yet this is by no means the end of the journey around our catering establishments. We could also mention the Quick hamburger chain, our Coaching Inns and our Roast Inns.

But then we've probably given you more than enough to digest in one day.





WHITBREAD AND COMPANY ESTD 1742

# London cabs may carry telephones

By David Thomas

VISITORS to London may soon find one of its hallmarks – the lack of public telephones in working order – no longer so frustrating, if plans being developed by a small private company succeed.

Capital Taxiphones, set up only a month ago, is intending to equip most of the black cabs in central London with public telephones.

Mr Peter Pledger, Capital Taxiphones' managing director, said his plan would mean turning taxis into phone boxes on wheels.

"Most of the public phone boxes don't work and taxis are a fairly safe environment for a public phone," he said.

Capital Taxiphones has won the franchise from Racal Vodafone, a UK cellular telephone operator, to supply London taxis.

Vodafone recently tested cellular carphones in about 50 London cabs for six months to make sure there were no technical or other problems.

Mr Pledger is planning to install the first cab phones in the next few weeks and to have them in more than 1,000 black cabs by the end of the year.

Capital Taxiphones hopes that 5,000 cabs, about 80 per cent of the taxis in the City of London and the West End, would have the phones within three years.

Passengers will pay the cab driver for use of the taxiphones, which will be metered.

There will be a 75p minimum charge and the remainder of the charge will depend on the length and duration of the call. For calls in central London the charge will be 27p for a unit lasting about 12 seconds.

Capital Taxiphones is owned by a mixture of individuals and Alan Patricof Associates, a venture capital group.

It will be placing its first orders for cellular phones with Panasonic, the Japanese manufacturer, although it hopes soon to start ordering equipment from Motorola, the US company which now manufactures cellular equipment in the UK.

# Political spotlight on defence squeeze

BY DAVID BUCHAN

THE POLITICAL spotlight is turning to the economic squeeze on the defence budget, a key issue in the gathering general election campaign.

The Government may be convinced it has the opposition parties on the run over nuclear arms policy. But the opposition parties, particularly Labour, believe they can exploit a government Achilles Heel with the accusation that conventional defence has been weakened to pay for nuclear weapons.

Mr George Younger, Defence Secretary, has said he sees no gap opening up between defence resources and commitments of a kind that would require a fundamental policy review, even after the next election which he assumes the Tories will win.

Evidently he hopes a little pruning here, and a bit of postponement there, in defence equipment programmes can contain the budgetary pressures. Others are not so sure that the day of reckoning can be indefinitely postponed.

The recent £300m package of helicopter orders for Westland pointed up these increasing pressures on defence spending. The regular Ministry of Defence (MoD) budget could only accommodate the purchase of 25 of the new Anglo-Italian EH101 transport helicopters, and even then some money had to be saved by British withdrawal from the NH90 European collaborative helicopter project. The 18 extra Lynx helicopters also being ordered from Westland are to be paid for out of a special Treasury donation.

In the coming months, covering several possible dates for a general election, the MoD will have to take other hard procurements decisions of less overt political sensitivity than the Westland rescue and is thus less likely to receive any top-up aidfrom the Treasury.

● By the end of June the MoD has to decide if it can afford another £200m to buy an extra two Boeing Awacs aircraft, in addition to the six Awacs and support equipment it *has already contracted to buy for* £800m. Boeing's offer to let the MoD have two extra Awacs at the same unit price as the first six expires at the end of June. The Royal Air Force has said it needs the full eight aircraft to be able to mount the four airborne patrols at any one time that would meet the UK commitment to Nato air defence.

● British Aerospace has given its new subsidiary, Royal Ordnance, until the end of July to come up with a workable rocket motor for the Alarm anti-radar missile, or else lose its subcontract to Bayern Chemie, a subsidiary of Messerschmidt-Bolkow-Blöhm in West Germany. Such a switch would cause extra delay and expenditure, some of which would redound on the MoD, itself responsible for supplying Saudi Arabia with Alarm-equipped Tornado strike aircraft.

Mr George Younger: tricky balancing act

● By the end of June the MoD is expected to pronounce on which command system is to go into the first of the Type 23 frigates, HMS Norfolk, due to be launched in September. It has given itself two options – either to complete the Cacs-4 programme on which Ferranti has been working, or to write off much of the £40m spent or committed to Cacs-4 and to choose an alternative system for which the MoD has received competitive bids. These bids to supply an alternative system have come from Gresham-Cap, Plessey and Ferranti itself.

● Before the autumn the MoD is due to renegotiate a new development contract with GEC on the troubled Foxhunter *radar* for the Interceptor version of the Tornado, on which £150m in development money has been spent already. The new contract will be on a fixed-price basis, but that will still involve the MoD shelling out more money than it originally projected.

All these problem programmes are made more difficult to contain within MoD budget projections, known as long-term costings (LTCS), by several general trends. *These include the plans to cut over*-all military spending by 6 per cent in real terms until the final year of the decade (1989-90) when it is to stabilise; to reduce the share spent on equipment from its 1985-6 peak of 46 per cent; and, within that declining portion devoted to equipment, to spend more on nuclear systems.

In 1986-7 spending on the UK nuclear strategic force amounted to 3.6 per cent of the MoD budget, but by 1990 some £4bn will have been spent on Trident out of the total £10bn.

The dollar/sterling exchange rate has recently been fairly stable, and thus has little affected the cost of buying the Trident system from the US. But the other currency relationship affecting UK defence expenditure, the sterling/D-mark rate, has changed for the worse, and British forces in Germany now cost about £100m more to maintain than a year ago.

Relatively declining equipment expenditure is partly a consequence of the Government's habit of accepting, in full, awards recommended by the Armed Forces pay review board. However, since 1983, the Treasury has not given the MoD the extra to cover these awards fully. Thus, the Ministry is in 1986-7 to pay those in uniform 7 per cent more, but has received only 4.5 per cent from the Treasury for this and is expected to cover the remainder out of savings elsewhere.

The easiest saving the MoD can make is to delay, or "push to the right," its procurement plans. This is precisely what industry complains is happening. The MoD is *greatly helped in* mitigating the effects on industry of such postponements, if there are export orders, such as Tornado sales to Saudi Arabia, to fill the gap.

For the same reason the MoD would welcome exports of Type 23 frigates, which need to be ordered in batches to keep building costs down.

If the rumoured frigate sale to Pakistan materialises, the MoD is likely to order in the next year or so fewer Type 23s, which cost more than £100m each.

The policy of contracting out support services to the private sector has saved £30m a year, the MoD claims. This saving could significantly increase this year, with the transfer *this month of* the Rosyth and Devonport dockyards to commercial management.

As a result of more competitive policies, Mr Peter Levene, the businessman brought in two years ago to be chief of defence procurement, has estimated that he can save the Government around 10 per cent of what it used to spend on equipment.

But he may find savings harder to achieve in the remaining three years of his five year contract.

Certain opportunities, such as the privatisation of Vickers Shipbuilding and Engineering which allowed £20m to be saved in ordering three new Type 2400 submarines, will not come again.

There is also doubt, raised in some quarters of the defence industry, that British Aerospace's recent takeover of Royal Ordnance will inhibit competition in the long term.

Certainly, Mr Younger will have a tricky balancing act ahead of him if the 1987 defence policy paper due in the next few weeks is to be a credible plank in the Government's election platform.



# Britain 'at risk' in trade row

By Tom Lynch

THE GOVERNMENT will not use its powers to cancel or withhold operating licences for foreign financial institutions in trade disputes, such as the current row with Japan over British involvement in the telecommunications sector, Lord Beaverbrook, a junior trade minister, said in the House of Lords yesterday.

He said it would "not help our case at all" to link access to British financial markets with other aspects of commerce, such as the attempt by Cable and Wireless to play a major role in telecommunications development in Japan.

Lord Beaverbrook said the powers in the banking bill, which completed its Lords stages yesterday, and in the Financial Services Act, which could deny a foreign company access to UK markets if its home country forbade parallel British involvement, were not designed to combat failures by other countries to meet their obligations under the General Agreement on Tariffs and Trade.

He told peers the reciprocity powers "apply directly to lack of reciprocity in other financial areas and are not directly applicable to the Cable and Wireless case."

The purpose of reciprocity "is not to put a fence round the British financial markets. It is to encourage other countries to adopt a more open approach to their own markets." He hoped the powers would never have to be used.

He was responding to Lord Bruce Gardyne, a former Conservative Treasury minister, who said he was concerned by recent ministerial statements suggesting that reciprocity might be used "to deal with what was deemed to be the inadequate openness of Japanese markets, both financial and commercial."

Lord Bruce Gardyne spoke of potentially serious consequences if the UK sought to restrict Japanese access to its markets. "We are very much at risk, arguably more at risk than the Japanese themselves.

# Maxwell seeks to offer readers a credit card

BY RAYMOND SNODDOY

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, said yesterday he was looking into the possibility of turning Mirrorcard, his discount shopping card, into a fully fledged credit card.

He was speaking at a ceremony to mark the two millionth applicant for the card in the 10 weeks since its launch.

"In the long term our aim is to have Mirrorcard validated as a credit card," Mr Maxwell said.

At the moment the card, which bears a picture of the MGN lion and a number unique to each applicant, specifically says it is not a credit card.

The Mirror publisher also said yesterday he was already in talks with financial institutions to see whether the card could be used in obtaining personal loans.

Mr Maxwell made it clear yesterday he was using the Mirrorcard scheme to build up a large database on the club's 2m members. The information sought on the application coupon includes age, marital status, number of children, car ownership and future care purchasing plans and what newspapers are bought. About 90 per cent of card holders are Mirror readers.

Mr Maxwell conceded that card applicants were not specifically warned the information they gave would be kept on a database, but said anyone who wanted to come off the database could do so.

"We will not sell this list to anybody," Mr Maxwell said. He added that not even companies offering Mirrorcard discounts would have the right to send material directly to cardholders.

"We are not going to have hawkers on your door or flooding you with circulars," Mr Maxwell promised.

Mirrorcard holders are also to be offered the same preferential rights to MGN shares as Mirror staff when the group is floated on the London Stock Exchange next year.

"We look as them (cardholders) as core readers. We also hope to welcome them as shareholders," Mr Maxwell said.

"We are going to provide services that our holders need and want on a mutually beneficial basis," Mr Maxwell said.

Apart from discounts and games, Mirrorcard gives members access to advice on personal legal problems.

The companies involved in the Mirrorcard scheme include Intasun, Comet, Woolworth and National Express.

The Daily Mirror sees Mirrorcard as a powerful circulation builder. The period since its launch has coincided with an increase in sales of 107,000 at a time when the circulations of the other tabloid newspapers have fallen.

UK NEWS

# British software base planned in Atari sales drive

BY DAVID THOMAS

ATARI, the US personal computer and video games company, is planning to set up a software centre in the UK later in the year.

This is one of a number of moves to increase its presence in the UK revealed yesterday by Mr Jack Tramiel, Atari chairman.

The company, which marketed the first video arcade games in the 1970s, has been concentrating more on selling home computers since Mr Tramiel took it over in 1984.

Atari is engaged in a large marketing and promotion drive in the UK to boost sales of its ST personal computers. Although launched in 1985, they had sold only about 25,000 in Britain by the end of 1986, but Atari hopes to sell a further 75,000 in the UK this year.

The company is also planning to launch a new computer game system in the UK in the autumn which Atari hopes will dominate the top end of the computer game market in the UK.

Mr Tramiel described it as substantially more powerful than existing computer games. He said computer games-players could use it as a stepping stone to a full personal computer, because it would have a large memory, a keyboard, a disc drive and a storage disc.

The basic cost of the game in the UK will be £89, although with various add-ons it will be £129.

Mr Tramiel said the UK software centre, which he was planning to announce no later than August, would be substantial.

Atari is also thinking about setting up a research and development centre on the Continent, probably in West Germany which is Atari's largest market in Europe.

However, Mr Tramiel said Atari had postponed plans to set up a manufacturing plant in Europe, because the weakness of the dollar no longer made that move economic.

Atari's sales jumped 82 per cent in 1986 to $258m. Mr Tramiel said he expected sales to top $500m before the end of the decade.

# Volvo to raise truck plant capacity

By Kenneth Gooding, Motor Industry Correspondent

VOLVO'S UK subsidiary is to increase the annual capacity of its truck assembly plant at Irvine in Ayrshire, Scotland, from about 2,000 to 2,800 by adding 20 to the 200 people on the assembly line.

The plant's capacity has already been pushed up from an annual 1,600 trucks by a £750,000 rationalisation programme over the past three years.

This project increased productivity by more than 20 per cent Mr Bernt Brandtzaeg, managing director of Volvo Trucks (GB), said yesterday. Now it required only the addition of more people and relatively small investment to increase capacity again, he added.

The additional capacity will enable Volvo to assemble nearly all its FL7 and FL10 trucks – its most popular heavyweight models – in the UK from now on.

Last year Volvo produced a record 2,073 vehicles (some buses as well as trucks) at Irvine. UK registrations of Volvo vehicles passed 5,000 for the first time and reached a peak 5,150.

Mr Brandtzaeg said the UK company's pre-tax profits when they are finalised next month would show an improvement on the £3.4m for 1985.

Volvo was short of truck production capacity worldwide. The Swedish group, in common with other vehicle producers, was also looking for more design engineers. As there was a surplus of engineers in the UK, Irvin's design centre might be expanded to do more work for Volvo Sweden.

Volvo (GB) will move its headquarters from Irvine to Warwick by 1988 and this will affect about 150 jobs in Irvine where there is a 26 per cent unemployment rate. Mr Brandtzaeg said all staff had been invited to relocate, but he expected only about 40 per cent of the people involved to accept. He said that vehicle assembly would remain in Scotland.

# Club ethos gives way to detailed rules

**The new structure for regulating the City of London is being put into place. In the first of a series on the state of readiness of the new SRO's – the self-regulatory organisations – Clive Wolman examines the largest, The Securities Association (TSA).**

UNDER the pre-Big Bang regulatory structure, the London Stock Exchange was the oldest, largest and probably most effective self-regulating organisation in the City of London.

Its successor, The Securities Association (TSA), a product of its merger with the international Eurobond houses last autumn, will continue to dominate the new investor protection framework as the largest of the five new self-regulating organisations (SROs).

Its 150 staff, backed up by the resources of the stock exchange, will be responsible for monitoring some 700 firms, which account for about 50 per cent of the revenues of all the UK investment firms covered by the Financial Services Act.

The critics of TSA complain that it is too large for its own good. Its member firms, which will range from huge international investment banks to humble provincial stockbrokers and licensed securities dealers, lack any of the common interests or cultural bonds that made the stock exchange such an effective self-regulating organisation in the past, they say.

The consequence is that TSA is now drafting a lengthy and highly detailed rulebook, which is more legalistic even than the draft rulebook published last autumn by Isro, the international securities body which merged with the stock exchange. This will be backed up by a tough enforcement regime to compensate for the lack of a club ethos.

Mr Andrew Large, the chief executive of Swiss Bank Corporation International who has become TSA's first chairman, recognises the signs of discontent among his potential members: "Some will complain that the procedures for authorisation are far too bureaucratic. Many may say that the rules are difficult to understand."

However, he can offer them little comfort. "There are no soft options," he says. "The regulatory regime will be complex and it will be tough to comply with, but there is no alternative."

The rapid growth of London as a financial centre and the raising of the long-established barriers between stockbrokers and jobbers would have made a tougher, more legalistic regulatory system inevitable, even without the Financial Services Act.

"The domestic regulatory practices in the UK were all based on a stock exchange system which does not exist any more," says Mr Large.

He believes that the structure of investor protection now being put into place is the most ambitious attempt to regulate financial services anywhere in the world. "What we are trying to do in London has not been done anywhere else in the world in such an all-embracing way. If it works, the London model will be used elsewhere."

But why is it necessary to have such a detailed and legalistic rulebook which tries to provide for every eventuality? Would it not be easier to formulate more general principles which everyone can understand, following the approach of the Theft Act rather than of the tax statures, and to rely, where necessary, on case law to determine their application?

"We believe that we have to try and think through every angle because we want as much certainty as possible," Mr Large says. "These rules will give investors legal rights."

He believes that the traditional smaller "single capacity" stockbroking firm has little to fear from the new rulebook if it continues to follow previous best stock exchange practice but to help it TSA plans to publish a layman's guide which will explain the purpose of each section of the rule book.

The most controversial, and complex, subject in the rulebook has become the amount of capital TSA firms will be required to have to cushion their risks. TSA has so far been unable to produce its own rules because they have to be reconciled with Bank of England proposals and with US and other overseas regulators. The Bank has suggested stricter rules on the amount of capital backing for banks which own inventories of securities than TSA would like.

Mr Large concedes that if there had been no stock exchange-Isro merger, separate and simpler rulebooks could have been drawn up. But, he says, the securities industry is changing and firms are altering their mix of business so rapidly that inevitably the two rulebooks would ultimately have converged, each becoming more complex.

"It is more ambitious at the start to try and have a rulebook for everyone but it will make it easier in the long term," he says.

In addition, as many stock exchange members admit, the Isro representatives now involved in TSA are of a higher calibre tan many of the stockbrokers and jobbers who used to man the stock exchange's committees. Some can also bring to bear their experience of regulation in the US and other financial markets.

The attraction of the merger for Isro was the experienced staff that the stock exchange already had in place. About 150 of these are being assigned to work for TSA under an eight-strong management team led by Mr John Young, a stock exchange director in charge of policy and markets.

The remaining 2,200 or so staff will continue to work for the exchange which will operate as the largest Recognised Investment Exchange (RIE) in the new regulatory structure, under the authority of the Securities and Investments Board (SIB).

According to Mr Young, the distinction that has been drawn between the SRO and RIE functions, at the insistence of the SIB and in the face of strong opposition from the stock exchange, has now been accepted and made to work effectively. "It was a matter of overcoming cultural and emotional resistance," he says.

However, one of the trickier outstanding problems is that of setting up another recognised or "designated" exchange for the Eurobond market, possibly based in Switzerland, which will satisfy the SIB.

At present about 30 TSA staff are working on drafting a rulebook which should be completed within the next few weeks. Nearly all of the stock exchange's surveillance department will be employed at TSA as part of a 75-strong surveillance and compliance division. Their responsibilities will include monitoring and enforcing the controversial capital adequacy requirements that are to be imposed on all firms.

Another 20 staff will deal with discipline and complaints. A subcommittee has worked out a detailed disciplinary and appeals procedure, which will be more formal and judicially-based than the old stock exchange procedure.

A total of 45 staff will be employed to handle the authorisation of all new members. At the start all would-be TSA members will have to be authorised because current membership of the stock exchange confers no automatic rights.

Mr Young is expecting applications from all the stock exchange member firms which now number 450. This figure has doubled over the last year because of overseas entrants and, more important, the decision of many firms to put their equities, gilts and options operations into separate subsidiaries.

Another 100 to 150 Eurobond dealing and issuing firms are expected to apply, together with about 50 firms which are members of the London and International Financial Futures Exchange (Liffe) and possibly another 50 to 100 smaller licensed dealers and investment firms.

The other SROs, in particular the Investment Management Regulatory Organisation (Imro) and the Association of Futures Brokers and Dealers (AFBD), have complained about TSA's attempts to expand its already large territorial jurisdiction at their expense.

TSA argues that it wishes to accept responsibility for the investment management and futures dealing activities of its members so that they may be spared the administrative problems and costs of joining more than one SRO.

To spread its load, TSA plans to start asking for applications at the end of next month or in early June, even before it has been officially recognised as an SRO by the SIB. It expects to complete the process of authorisation by early next year, shortly after the Financial Services Act is expected to be brought into force.

The authorisation process of TSA might well lead to the first legal battle under the Financial Services Act if it rejects applications from some of those securities dealing firms which use aggressive selling techniques. The prime candidate for a legal battle is Harvard Securities, the UK's largest over-the-counter securities dealer.

Over the past 12 years, Harvard's chairman Mr Tom Wilmot has had several legal battles with the stock exchange from which it is at present denied membership.

**Next: Investment Management Regulatory Organisation (Imro)**

# Scott Paper promotion

BY TONY JACKSON

SCOTT PAPER of the US, the world's biggest tissue manufacturer, is to double its UK advertising expenditure on its Andrex toilet tissue brand this year to £11m.

Scott, which last year took full control of Bowater Scott of the UK in a £80m deal, said it aimed to increase its tissue volume by 30 per cent over the next five years.

Scott, which claims to produce more than twice as much tissue worldwide as its nearest competitor, Kimberley-Clark of the US, said it saw the European market as its biggest growth area worldwide. The UK was the key to its European strategy, Scott said.

Mr Bob Rodgers, managing director of Scott Ltd – as Bowater Scott has been renamed – said the UK toilet paper market was worth £386m last year, and this year was set to top £420m, or 1.7bn rolls a year. The tissue market as a whole was worth £583m, with Scott claiming a 35 per cent share.

Mr Rodgers said the target of 30 per cent more volume could be achieved without increasing capacity, due to the heavy investment programme in the UK in recent years.

# Gas 'loses 1.25m shareholders'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MORE THAN 1.25m shareholders have sold their stake in British Gas since it was privatised last December, according to Mr Tony Blair, a member of Labour's front-bench treasury team.

Mr Blair, who says his claim is based on information provided to him by British Gas, claims that the public's stake in the business has dropped from an initial 60 per cent to 28 per cent.

He said that the figures represented "the quickest exodus yet from privatisation and blow a gaping hole in the Government's privatisation propaganda." He claimed that further sales of essential public services could not be justified on any basis.

Mr Blair said that the drop in the number of individual share owners also cast doubt on the recent government-sponsored survey of share ownership which claimed that more than 8m people now held shares in British companies.

The figures are the first to be provided by British Gas since the share sale, which attracted 4.5m shareholders. By the end of this March, however, the figure had dropped to just over 3m, suggesting a concentration of ownership in the hands of institutional and corporate ownership.

Mr Blair claimed that, if the trend continued, there would be more British Gas shares owned by overseas interests than by the British public. He added: "If the Tories were to be re-elected for a third term, electricity and water would be next to go, until the concept of public services was eradicated altogether".

Ministers have repeatedly claimed, however, that the concentration of shares in privatised companies among the institutions does not undermine the aims of the privatisation programme. They point out that, in particular, many of the shares are held by corporate pension funds and life assurance groups acting on behalf of large numbers of the general public.

# MANAGEMENT: Small Business


## Pressure on an equity gap

**Charles Batchelor on West German efforts to engender enthusiasm for share listings**

FOR THE aspiring small businessman in Britain a stock exchange listing represents additional status and recognition for his company. As far as his West German counterpart is concerned, a quotation on one of the country's eight stock exchanges is still regarded with considerable reserve and even suspicion.

"In Britain a company with a turnover of £20m is likely to be listed. In Germany it is not uncommon to find businesses with turnover of DM 100m (£34m) still under family control," notes one Frankfurt-based, British observer of the German scene.

Of the 1.9m businesses registered in Germany just 7,000 have taken the legal form of a public limited company and only 467 have a listing on a stock exchange. Mergers, restructuring and failures have cut this number from 628 in 1960.

But now, encouraged by an upturn in corporate interest in the stock market—a record 15 companies joined the Frankfurt Stock Exchange in 1986 — the Government and the exchanges are trying to increase the attractions of a public listing for small- and medium-sized business.

Historically, they believe, the time is right for such a move. Many of the family firms established after the Second World War are starting to face a problem of succession while attitudes are changing among the younger generation of new firm founders.

But they will have to overcome a long period of neglect during which the growing company saw little to attract it to the country's hidebound exchanges — fragmented and lacking in liquidity, they are dominated by banks which own large shareholdings.

"For small- and medium-sized companies the capital market has been closed," comments Reinhard Clemens, deputy director of the Institute for Smaller Enterprise Research, which is currently looking at ways of improving their access to risk capital.

On top of this the average founder of a German small firm remains deeply hostile to the additional burdens of a stock exchange listing. He resents making public much information about his company—though EEC regulations will soon require him to disclose more — and he is unwilling to expose himself to the short-term performance requirements of a stock market.

High levels of corporate tax have given German companies little incentive to maximise profits. A typical tax rate of 70 per cent has meant that many have concentrated on increasing turnover, market share and investments rather than boosting their bottom line.

"You do not know how difficult it is to get an entrepreneur to accept an outside shareholder," complains Bernd Eversmann, a director of the Westdeutsche Landesbank. "The increase in the number of public listings in recent years has comprised high-growth companies which could not finance themselves."

Apart from their spirit of rugged independence an important reason for the reluctance of founders of small firms to seek a public quotation has been the ready availability of cheap long-term finance from the commercial banks and state-owned bodies such as the Kreditanstalt fuer Wiederaufbau (Reconstruction Loan Corporation) (see this page April 21).

Yet, slowly, the realisation has been dawning that lending —however long-term—is no substitute for equity capital in providing a sound basis for a company. German companies met 31 per cent of their capital needs from equity and reserves in 1967 but by 1985 this figure had fallen to just 18.5 per cent, according to a recent report by the Bundesbank, the West German central bank.

The debate over this issue is not ended, however. Some people involved in lending to small firms believe they are adept at understating their capital to reduce their personal liabilities and that the apparent decline in own capital is overstated in the official figures.

Burkhard Mueller-Kaestner, *chief economist at the Kreditanstalt*, believes that many companies can happily finance expansion by borrowing from other companies and that few German businessmen will want to issue expensive new equity.

Nevertheless the Bundesbank's findings helped prompt action on a number of new laws to make the stock markets more accessible to small firms and to open up unquoted companies to outside investors. The new legislation took effect at the end of last year and calls for:

- The establishment of a regulated secondary market — the geregelter Markt — to take over from the existing less tightly controlled geregelter Freiverkehr. The stock *exchange association hopes to* persuade the 104 companies currently traded on this market to move to the regulated secondary market by allowing a free transfer.

The new secondary market, which opens early in May, would have less stringent reporting and publication conditions than required for a full stock market listing on the lines of the London USM market and other secondary stock markets created in France, the Netherlands and Spain in recent years.

Despite this tidying-up Germany will still be left with a three-tier stock market since the unregulated over-the-counter market in smaller stocks will continue to exist.

- The creation of participation companies to take stakes in unlisted businesses. The participation companies would themselves issue shares to their investors — initially expected to be banks, insurance companies and other institutions — but would be *obliged* to offer at least 70 per cent of these shares to the general public within 10 years. This would broaden the shareholder base of small and medium-sized companies.

Though fine in principle this element of the new law will require some delicate negotiations on the powers to be granted the new shareholders and on the valuation of the private company.

- The easing of investment controls on insurance and *investment companies to* allow them to invest more actively in unquoted stocks.
- Easier terms to promote the purchase by employees of stocks in their own companies. These include higher tax allowances on the shares and a broader definition of the types of share which can be included.

"I can't say I am expecting a run of new listings from the start," acknowledges Ruediger von Rosen, executive vice chairman of the Association of German Stock Exchanges. "It *is difficult* to persuade the founder of a German company to go public.

"Most of these people are technicians — Germany is famous for that — but they might not be so well informed in the financial area. They will need advice and that has to come from their bankers."

Von Rosen is hopeful the new laws will help change the sleepy image of the German exchanges. What they will not do is weaken the dominance of the German stock markets by the large banks. Even if the small businessman can be persuaded to go public there is little evidence the small investor has much taste for shares.

## Lesson in streamlining bureaucracy

**Charles Batchelor looks at contrasting UK and West German attempts to deregulate**

IN ITS early draft form paragraph 22 of a West German bill aimed at controlling construction work in tourist areas ran to just 350 words. By the time it reached final draft stage it had risen to 500 and after passing through parliament it numbered 600 words.

This cautionary tale of bureaucratic endeavour was provided at a one-day Anglo-German Seminar on Deregulation held earlier this month at the Konrad Adenauer Foundation in Bonn.

The seminar, the first of its kind to bring together ministers and their advisers from both countries, revealed significant differences in the way the two governments regard the problem. By contrast, though, the organisations they have set up *to* reduce bureaucracy appear remarkably similar.

David Trippier, small firms minister and head of the British delegation, used the privatisation of Britain's coaches and buses as an example of deregulation at work in the UK. The German team stuck more closely to the theme of simplifying the complexities of the law.

A striking contrast emerged between the practical approach of the British team, which saw deregulation as contributing to economic revival, and the more theoretical German approach aimed at simplifying the relationship between citizen and the state.

In practice both countries have established special deregulation units in recent years to restrain the growth of burdensome legislation.

Germany has set up an independent federal commission on deregulation, based in the Interior Ministry, with the power to recommend cuts in red tape.

More than 1,500 proposals for deregulation have been submitted to the commission, though Christian von Hammerstein, head of the commission secretariat, *said* many related to peripheral issues.

The interior and justice ministries have over the past two years been subjecting all new legislation to a ten-point "blue checklist" which asks whether action is needed, what are the alternatives, whether a new law is needed and whether the proposal is practicable. The British team would consider whether a formal code such as this would be useful in the UK, Trippier said.

The result of these efforts in Germany has been the repeal of 42 acts and ordinances and the deletion or streamlining of more than 350 provisions in a *further 73 acts* in the past four years.

For its part Britain has a 15-strong enterprise and deregulation unit housed within the Department of Employment which co-ordinates smaller units in individual ministries. The ministry teams prepare cost compliance assessments of the impact of proposed legislation. If the central deregulation unit is worried by a particular proposal it can call for a full report and suggest changes.

But Graham Reid, head of the unit, admitted that there were problems in maintaining the momentum for deregulation. Not all cost compliance assessments came in on time so proposals could be on the point of becoming law or have already become law before they could be scrutinised.

Even when excessive bureaucracy has been identified the shortage of legislative time may mean there is no opportunity to modify it, said Reid.

What do businessmen in the two countries think of all this activity? Lothar Dressel, a lawyer with the Federation of German Industries, said his organisation's surveys had shown a fair amount of cynicism among businessmen that much red tape would be cut.

The federal commission might be effective in reducing legal and administrative red tape but when it came to major issues such as the deregulation of long-distance freight haulage or introducing legislation to prevent restrictive trade practices action was painfully slow, he claimed.

John Banham, director-general of the CBI, acknowledged that progress in reducing bureaucracy would be slow since many people benefited from the existing rules and bureaucrats themselves had a vested interest in maintaining them. Some attempts to cut red tape only resulted in more complex regulation, he warned.

## The agencies that marry money with ideas

IN HIS previous two articles* on ways of identifying small business ideas, Stephen Halliday has drawn attention to markets that are particularly suitable for setting up an enterprise and has looked at organisations offering ideas "off the peg." His concluding article identifies ways in which those with ideas can be brought together with those *that have financial resources.*

AMONG THE many organisations that seek to marry resources with ideas are the matching agencies. Two of these are Venture Capital Report, which evaluates ideas, and Business Link-Up, which does not.

Venture Capital Report, based at 20 Baldwin Street, in Bristol, is published monthly at a cost to subscribers of £180 a year. Each issue contains a detailed evaluation of about 10 different businesses seeking investment funds. Many also seek management expertise from the investor.

Each case study contains a company's trading history, background of its principals, plans for the future and financial needs. Investment funds can vary from as little as £250, plus royalty payments, for a bird scarer, to £600,000 for a majority share of the equity in TV merchandising and records.

Business Link-Up, of 33 St George Street, London W1, also produces a monthly publication at a cost to subscribers *of £60 a year. It accepts* advertisements both from those seeking funds and those with funds looking for an idea. Examples are a service company seeking a partner with £50,000 and an MBA with marketing experience and £50,000 available who is looking for an idea to invest in.

At the same time, a number of enterprise agencies run "marriage bureaux." People seeking help to develop their businesses can describe their proposals either in monthly bulletins which are sent to investors or at presentations.

Selling agencies are another means of exploiting ideas. Anyone (for example, a former sales executive) wishing to set up such an agency should first identify those trades which are dominated by small manufacturers and/or small retailers. This can be done by reference to the annual Size Analysis of UK Business and the biennial Retailing Enquiry, both available from the Government Bookshop.

Secondly, there are organisations specialising in helping selling agencies. There is the Manufacturers' Agents Association at 13a West Street, Reigate, Surrey and the British Agents Register of 24 Mount Parade, Harrogate. Both publish monthly journals with useful advertisements.

Licensing opportunities can be found through International Licensing, of 92 Cannon Lane, Pinner, Middlesex. It has a monthly publication which describes new products and processes available for licensing. Annual subscription is £35 and a typical issue contains as many as 100 notices such as a new gardening tool available from an American company.

A similar publication is Venture/Product News, of 1145 Catalyn Street, Schenectady, New York 12303. Annual subscription costs $300 with an annual summary available for $70. Corporations, universities and other institutions are contacted worldwide for suitable products and processes.

In France there is Innovation et Produits Nouveaux, published 22 times a year from 10 rue Danielle Casanova, 75002 Paris. Annual subscription is FFr 1,500 and each edition, in French, comprises about eight pages of products and services available for partnership or licensing agreements in one or more countries. These include financial services as well as technical and consumer products.

**March 26 and April 7.*

*Stephen Halliday is senior lecturer in small business operations at Buckinghamshire College of Higher Education and author of Which Business? How to Find the Right Idea for Starting Up, published by Kogan Page this month (£5.95) on which the above is based.*

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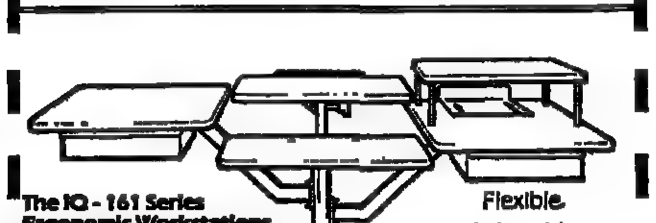

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**Agenda**
1. Submission of the report of the Board of Directors and of the independent and statutory auditors.
2. Approval of the financial statements for the year ended December 31st, 1986.
3. Discharge of the Directors and of the independent and statutory auditors in respect of their duties carried out for the year ended December 31st, 1986.
4. Election of directors and independent and statutory auditors for a new statutory term.
5. Directors' remuneration.
6. Miscellaneous business as may properly come before the meeting.

In order to attend the meeting the owners of bearer shares should deposit their share certificates five clear days before the meeting at the registered office of the company or at a bank.

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and to vote on his behalf and such proxy need not be a shareholder himself of the company.

By order of the Board of Directors
General Manager

# Phone to suit the poor man's pocket

**Mary Wilkinson reports on UK plans for a low-cost mobile communications network**

ENTER THE poor man's mobile telephone.

The UK Government is about to publish technical specifications for portable, digital phones that will eventually be usable in the home, office and from public access points, similar to telephone boxes.

The devices are expected to be a fraction of the price of portable cellular telephones, and will provide a halfway house between domestic cordless telephones and cellular radio, being portable enough to carry anywhere but only able to receive calls when within range of their own fixed-base stations.

The specifications, expected in a few weeks, appear relatively conservative, outlining a digital cordless telephone that will be smaller, lighter and far less susceptible to interference and eavesdropping than existing cordless phones.

But Department of Trade and Industry (DTI) officials say the specifications could pave the way for a network of public access points in places such as railway stations and high streets. Simply by standing within range of a public base station, users will be able to use the phone to dial into the public telephone network.

Several electronics companies, including Racal, STC, Plessey and Ferranti, have been involved in discussions on the specifications and are eager to enter the market with their own designs.

One of the front runners for market entry is Shaye Communications. A spin off company from Sinclair Research, it already holds patents on designs for this new type of phone.

The company was set up last summer to continue the two years of development work put into the phone by Sir Clive Sinclair's company. The senior staff are all ex-Sinclair employees, and Sir Clive is a board member.

Bill Jeffrey, Shaye's managing director, says he expects the company to have a product on the market within 12 months of the specifications being published. Other companies expect to enter the market by late 1988 at the earliest.

The Shaye phone will be "top pocket" sized and, in its simplest form, cost less than £200. This is only marginally more than the price of existing cordless phones, and one-tenth that of a portable cellular phone.

Mr Jeffrey says Shaye sees potential in public access points but, in common with other companies, is not pinning its hopes on this market as the regulatory aspects are expected to take time to sort out. Several issues have to be decided such as who would run the networks and how users would be billed for their calls.

In the meantime the phones should provide a vastly superior replacement for first generation cordless phones. Demand from residential users is growing rapidly. By the middle of last year there were 300,000 cordless phones in use in the UK and the number is expected to grow by 250,000 a year to reach more than 1m by 1990.

Existing cordless phones, however, are prone to radio interference, often provide poor quality sound and cannot be used together in confined areas because they can only be allocated one of eight transmitting channels.

The new phones will be able to scan 40 channels looking for an unused transmission frequency. This will allow high-density use. And because the speech is encoded digitally by microchips, the phones will be smaller and lighter than their analogue counterparts. The digital coding will also make it easier to extract the signal from the background noise, improving the speech quality.

Mr Jeffrey expects the cordless phones to do well in the so far untapped office market. With this market in mind, he says Shaye is talking to manufacturers of private telephone exchanges.

The company will subcontract production of the phones, probably to Timex.

British Telecom will also subcontract manufacture for its supplies and is believed to be close to signing a deal with STC.

The DTI is pushing for the European telecommunications standards making body, CEPT, to adopt the cordless phone's specifications.

The present European standard is for a 40 channel analogue cordless phone that is bulky and more than twice the price of the proposed UK-designed device. It also uses frequencies that have been reserved for a pan-European cellular radio network due to start in 1991.

British Telecom has already been promoting the UK technology overseas, and Roger Empson, marketing manager at BT International Products, says the company received "positive noises" from one or two countries.


# Persuasive powers of walls of light and ghostly images

**FILM AND VIDEO**

**by John Chittock**

IT WAS not so many years ago that the switched-on salesman was literally the one who plugged in a portable, desk-top film or slide projector to demonstrate, in daylight, his latest wares. The demise of 8mm film has led to the development of video versions of the desk-top projector—portable units which combine television monitor and video cassette recorder in one compact unit. And the slides used in a sales presentation nowadays are just as likely to have been created by a computer graphics system as by an artist.

Even the old faithful overhead projector (OHP) — a familiar aid in marketing presentations—is now about to be married to the computer. The Magnabyte, an American idea just introduced in UK by Gordon Audio Visual, allows the output from a personal computer (PC) to be displayed on a large screen via any OHP. This is achieved with a translucent liquid crystal display (LCD) that fits on to the projector in place of the normal transparency; fed by a PC, the LCD effectively becomes a computerised sheet of volatile artwork.

Electronics would seem to be the catalyst as more permutations of equipment come to the aid of the marketing department. Interactive video, for example, is finding a variety of applications as a point-of-sale device operated by the customer —in department stores such as the Co-op, for tourist promotion (the latest in London at Victoria Station) and even in shoe shops and gardening centres.

More conventional uses of video range from the relatively simple holiday programmes being offered to travel agents as promotional aids—one company, Video Travel Guides, is even producing a videocassette about tourism in China—to spectacular presentations on vast arrays of television screens.

The latter technology, generally known as Video Wall, allows the output from a number of video disc players to be displayed as a changing mosaic of identical or different pictures on banks of up to 100 or more TV screens. Alternatively, small adjoining sections of a single TV picture can be electronically enlarged to provide one huge chequered picture, built up from the matching details across the whole array of screens—the moving picture equivalent of a giant jig-saw puzzle.

The trouble with electronics, however, is the cost. Developments such as Video Wall or even the portable VCR carry a high per capita charge in reaching potential customers. If the target audience is measured in hundreds of thousands, such ideas are not amenable to economies of scale.

The photographic industry's answer to electronics—holography—is now trying to provide one possible solution. The low-cost hologram, replicated by an embossing process, has made 3D pictures on cornflake packets a promotional reality. One British company active in this area—Holovision—has produced a run of over 100,000 beer mats incorporating a hologram, as a give-away promotion in home-brew kits marketed by Wander Foods. Holdvision claims that the entire stock of brewing kit plus give-away was sold before the promotion campaign—geared to the hologram —had started.

The low-cost hologram, produced on long print-runs, is made possible by a relatively simple process which embosses on to foil the intricate frequency patterns that comprise the image. A current example of this made by Light Fantastic, another company specialising in the technology, appears on the sleeve of the BBC's record release of the Dr Who theme music—a double attraction to young fans of the TV series.

The drawback with low-cost holograms, however, is the fidelity of the 3D image. Although they can be viewed by tungsten light or daylight (depending on the process used) their 3D effect is seen only in the horizontal plane—not vertically—and spectral colour changes occur as the viewpoint is shifted.

High-fidelity holograms, duplicated by photo-optical rather than mechanical means, have more practical uses in selling than the mere novelty impact of the cheaper embossed variety. They are larger and more realistic, and when used in situations such as trade exhibitions or sales seminars they allow customers to see very faithful 3D replicas of products or processes not otherwise easy to display.

One example of this is a 3D view of a diseased human lung, captured in a hologram for drug company Boehringer Ingelheim. This has been used in promotional seminars for the medical profession, along with another hologram of the company's Duovent inhaler—a product made to alleviate respiratory ailments.

At present the gimmickry is irresistible—as visitors to Newcastle Building Society will discover: a hologram of the company's logo adorns the doors of 60 branch offices.

But in time, the novelty factor will wear thin, creating a demand for very realistic holograms—free of the rainbow effects and the limited perspective of the cornflake packet variety.

In anticipation of this demand, Holovision have developed a very simple, low-cost viewer—relying upon new holographic techniques—that promises to make high-quality 3D a commonplace tool in point-of-sale displays. The next step after that, which Light Fantastic has in prototype form, is the moving picture hologram. This uses a well-known multiplexing technique, but produces interesting results and is simple enough for use in high street shops.

The experience is now available for significant breakthroughs to be made in holography, so that products will soon be "displayed" with a high degree of realism. However, those in the business have a public relations problem to overcome—the rather tacky, gift-shop image that cheap holograms have created. The quality of results now within reach of the industry is in danger of being obscured by the flood of cheap holographic pendants and credit card security labels. The true hologram has to be seen to be believed.



# WORTH WATCHING

Edited by Geoffrey Charlish

## Stacking the odds against acid rain

NOXSO CORPORATION of Library, Pennsylvania, has developed a gaseous effluent cleaning process which it believes could greatly reduce acid rain problems.

The process will, it is claimed, remove 90 per cent of both nitrogen and sulphur from flue gases, and is superior to current systems which generally remove only oxides of sulphur and produce a sludge. The only by-product of Noxso's process is sulphur, a marketable commodity.

## IBM in Daisy's scheme of things

DAISY SYSTEMS Corporation, which has over 6,000 computer aided engineering (CAE) workstations for electronic circuit design installed throughout the world, is making its schematic design software and an electronic component library available on the IBM personal computer (PC) at a basic price of $6,500.

Provided that the PC (model AT) has a standard IBM enhanced graphics adaptor and adequate memory, a user will be able to design circuit schematics using Daisy's Unix-based operating system. This offers fast, interactive response and the ability to manage several tasks on the screen at the same time.

Daisy claims that the system, called Entryl, is the cheapest so far offered with professional (CAE) facilities. The approach will interest those that already have an IBM PC AT in a design office. A low-cost start can then be made on CAE and the resulting schematics can be taken to a bureau for subsequent simulation and layout work.

## Cash injection for ink-jet specialist

AN INVESTMENT of $480,000 has ben made by UK and French venture capital groups in a Cambridge, UK, start-up company, Linx Printing Technologies. Linx specialises in ink-jet printing.

The UK money has come from Managed Technology Investors, the venture capital fund of Prudential Assurance Company, Morgan Grenfell and PA Consulting Services. The French venture capital group is Paribas Technology. A further injection of $470,000 is planned for the end of this year.

## US-German line on automation

INTEL, the semiconductor company of Santa Clara, California, and the West German electrical group AEG of Frankfurt, are to co-operate in a major effort to develop factory automation systems using the US company's 32 bit microprocessor, the 80386 and associated products.

AEG constructs systems for the automation of industrial processes, ranging from paint shops to sewage works. It became part of Daimler Benz, now Germany's biggest industrial group, just over a year ago.

Under the agreement, Intel is to supply components, printed board-based systems and software expertise to allow segments of automation systems at the lower factory floor levels to intercommunicate and exchange data with higher level systems at factory command and control levels.

Intel's Bitbus for example, is a networking system that makes it possible for shop floor items like robot arms, vision systems and conveyors to "talk" to process controllers. Another system, OpenNet, facilitates onward communication to the production cell control level.

AEG will incorporate Intel systems and know-how into newly developed approaches that will encompass MAP (manufacturing automation protocol), an "open" networking technology based on international standards. MAP, a General Motors' initiative, allows factory equipment from any maker to be used within an automation project without communications problems.

## Informative view of optical systems

OPTICAL INFORMATION systems—of growing interest in the office and publishing worlds—are to be the subject of a three-day conference at the Novotel Hotel in London, June 8 to 10, 1987. Called OIS London 87, it is sponsored by Meckler Publishing and Cimtech, the National Centre for Information Media and technology at Hatfield Polytechnic in the UK.

CONTACTS: Noxso Corporation: US, (412) 675 6282. Daisy Systems: US, (415) 960 9123 or in the UK on 0256 464061. Managed Technology Investors: UK, 0823 50244. Intel International: UK, 0793 696000. OIS London 87: London, 379 0606 or in the US on (203) 352 0600.



## Company Notices

**Telefonaktiebolaget L M Ericsson**

(L M Ericsson Telephone Company)

The Annual General Meeting of the Company will be held in the Berwald Hall, Strandvägen 69, Stockholm at 5.00 p.m. Thursday May 19, 1987

The following items will be on the Agenda of the Meeting:

1. To elect a Chairman for the Meeting
2. To approve the voting list
3. To confirm that the Meeting has been properly called
4. To elect two persons to check the minutes of the Meeting
5. To present the Annual Report and the Auditors' Report
6. To present the Consolidated Accounts and the Auditors' Report on the Group
7. To approve the Profit and Loss Statement and the Balance Sheet
8. To approve the consolidated profit and loss statement and the Consolidated Balance Sheet
9. To discharge the members of the Board of Directors and the Managing Director from liability
10. To determine the appropriation of the profits, provided the balance sheet is approved
11. To fix the date of payment of the dividend declared
12. To determine the number of members of the Board of Directors and deputy members
13. To determine the remuneration payable to the members of the Board of Directors and to the Auditors
14. To elect members of the Board of Directors and deputy members
15. To elect Auditors and deputy Auditors
16. To determine on the Board of Directors' proposal to the Meeting for the issuance of convertible debt instruments to the employees
17. To authorise the Board of Directors to decide on the issuance of convertible debt instruments in foreign currency
18. To decide on any other business which according to the Companies Act 1975 shall be dealt with at the Meeting.

Shareholders intending to participate in the Annual General Meeting must be entered as Shareholders in the share register kept by Värdepapperscentralen VPC AB (securities register centre) not later than May 9, 1987.

Shareholders whose shares are registered in the name of an agent must re-register the shares temporarily in their own names in order to participate in the Meeting.

In addition to the above-mentioned requirements, Shareholders shall give notice of attendance to the Headquarters of the Company at Telefonplan S-126 25 Stockholm, between 10.00 a.m. and 4.00 p.m. daily, not later than Thursday May 14, 1987 at 4.00 p.m.

Any person desiring to participate in and to vote as proxy on behalf of a Shareholder at this Meeting must produce a dated power of attorney before being allowed to do so.

The Board of Directors has proposed May 22, 1987 as the record day for payment of dividends. Provided this proposal is approved, the dividend is expected to be paid by Värdepapperscentralen VPC AB on June 1, 1987.

April 28, 1987 — The Board of Directors

**UNILEVER N.V.**

Rotterdam The Netherlands

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

[illegible]

**AGENDA**

[illegible]

THE BOARD OF DIRECTORS

**ANNUAL GENERAL MEETING**

**Shareholders in**

**Svenska Cellulosa Aktiebolaget SCA**

are hereby summoned to the Annual General Meeting of Shareholders to be held in the Banquet Hall of the Park Avenue Hotel at Kungsportsavenyn 36-38, Gothenburg, Sweden, on Monday, May 18, 1987 at 4.30 p.m.

**Agenda**

Matters to come before the meeting, as prescribed by law and the Articles of Association, will include: presentation of the Annual Report and Auditors' Report for the Parent Company and Consolidated Statements of Earnings and Balance Sheets; disposition of the profit as recommended in the adopted Balance Sheet; discharge of the Board of Directors and Managing Director from liability; and the election of Board members and auditors.

**Notice of intention to attend, etc.**

Shareholders who intend to participate at the Meeting shall be registered in the register of shareholders maintained by the Swedish Securities Register Centre (VPC) not later than Friday, May 8, 1987 and notify SCA not later than 4 p.m. on Wednesday, May 13, 1987 either by mail to SCA, S-851 88 Sundsvall, Sweden, or by telephone to +46 60 19 30 00 or 19 31 16.

To participate at the Meeting, shareholders whose shares have been registered in the names of nominees must arrange for the shares to be re-registered in their own names at VPC not later than Friday, May 8, 1987. Such re-registrations, which can be done temporarily, should be requested of the nominee well in advance of this date.

Persons intending to act as proxies on behalf of shareholders will be required to produce a written and dated power-of-attorney. Such power-of-attorney shall remain valid for no longer than one year from the date of issue.

**Payment of dividends**

Thursday, May 21, 1987 is proposed as the record date for determining rights to dividends. If the same date is approved at the Meeting, VPC is expected to distribute the dividends on Friday, May 29, 1987.

Sundsvall, April 1987
THE BOARD

**SCA Svenska Cellulosa Aktiebolaget SCA**

**ACTIBONDS INVESTMENT FUND S.A.**

Société Anonyme d'Investissement
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 21.081

**Avis de convocation**

[illegible]

**Ordre du jour**

1. Examen des rapports du Conseil d'Administration et du Commissaire aux comptes.
2. Approbation du bilan et des comptes de résultats et affectation de ces résultats.
3. Décharge aux administrateurs et au Commissaire pour l'exercice de leurs mandats jusqu'à la fin de l'exercice.
4. [illegible]
5. Divers

Le Conseil d'Administration

**NOTICE OF RATE OF INTEREST**
**CREDIT FONCIER DE FRANCE**
**US$375,000,000**
**Guaranteed Floating Rate Notes due 1998**

In accordance with the provisions of the interest determination agency agreement between Credit Foncier de France and National Bank of Abu Dhabi, Paris Branch, dated as of 18th September 1981, notice is hereby given that the rate of interest has been fixed at 7.5625 per cent per annum, and that the coupon amount payable on 16/10/87 against coupon No. 12 will be US$192.21 and that such amount has been computed on the actual number of days elapsed (183) divided by 360.

By: NATIONAL BANK OF ABU DHABI
Paris Branch
Reference Agent

**Legal Notices**

THE INSOLVENCY ACT 1986
IN THE MATTER OF
P. A. ALLEN AND COMPANY LIMITED

Nature of Business:
Motor Dealership
Administration Order made
13 April 1987

EUROPHAR PROMOTION LIMITED
Formerly BARDAFINE LIMITED
Company number 1935957

Nature of business:
Pharmaceutical Supplies
Registered Office:
Shelley House, 3, Noble Street
London EC2V 7DQ
formerly 12, Bradenell, Windsor, Berks
Liquidator's name and address:
J. M. Thompson, Esq.
Shelley House, 3, Noble Street
London EC2V 7DQ
Date of appointment 9th April, 1987
By whom appointed:
Resolution of Creditors

UNILEVER N.V.

[illegible]

N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR

London Transfer Office,
Unilever House, Blackfriars,
London EC4P 4BQ.
28 April 1987.

**IU INTERNATIONAL CAPITAL CORPORATION N.V.**

[illegible]

Agent Bank: Orion Royal Bank Ltd.

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# THE ARTS

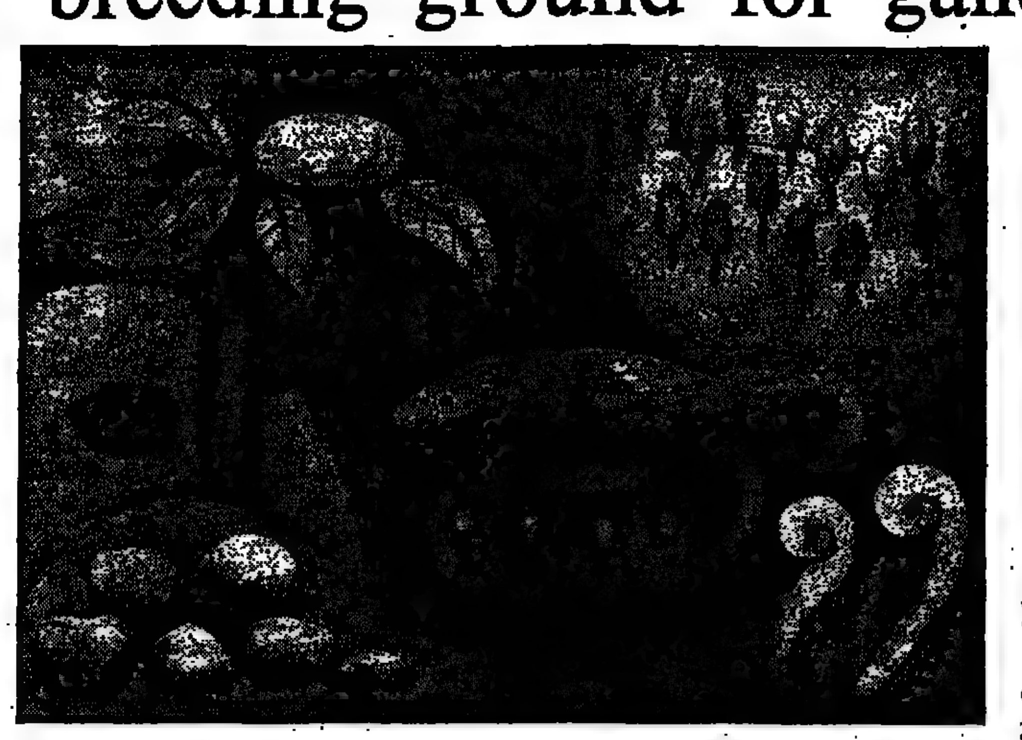
## Art—and Craft/William Packer

# Rich breeding ground for galleries

Hope, without which there would be far fewer artists and no dealers, springs eternal. New galleries appear the year round, and in parts of London ever further flung. The days are long past when, with the gallery round confined to Mayfair and St James's, an excursion into Soho or Chelsea might be thought an adventure. Now, from Hackney to Hammersmith, from Wandsworth to Highgate, there are more galleries than even the most obsessively energetic can hope to visit. Sprinkle it about a bit, as the old joke goes.

The Portobello phenomenon is a particular example. Last week nine of the galleries that have sprung up in the streets around the Portobello Road held a four-day festival of openings and exhibitions. Though the party is now over, the galleries remain with their stock, and several of the exhibitions run on for a while yet.

Here are some recommendations to start you on that short tour. At 11 Blenheim Crescent W11, under the title of *In the Heart of the Beast*, Vanessa Devereux is giving the first proper British showing of the work of William Kentridge, an artist who is already well established in his home country of South Africa. Here (until May 16) he shows a group of etchings and large drawings that are orthodox enough in the general way of contemporary expressionism, but marked by a lively and decidedly personal touch. Given the subject-matter, which is a bleakly sardonic vision of life in South Africa expressed in a series of symbolic, fantastical tableaux, the work is necessarily illustrational. But that is hardly to condemn it. Grosz and Dix in Weimar Germany, to say nothing of Goya in Napoleon's Spain, were illustrators too. For an artist to be *engagé* is no disqualification. The trick is in the doing, where the finest line must be drawn between suggestion on the one hand and overt propaganda on the other: the one open to the imagination still, the other specific and therefore closed.



"Discovery," by Suzanne O'Driscoll

Kentridge is no Grosz or Goya, but to his great credit he does maintain that same creative distance between image and message. On the debit side, his evident facility slips easily into the mannerism of a rapid, flurried, even decorative working of the surface. Perhaps he should slow down, but even so what he shows us here leaves us looking forward to seeing more of his work, and the more ambitious the better.

At Anderson O'Day (255 Portobello Road, W11, until mid-May), Suzanne O'Driscoll has her first full London show, filling the gallery with her brightly coloured drawings and a few large canvasses. She is a decorative surrealist, working upon what might be the imagery of an odd, vivid but nonetheless benign dream. The forms are full, soft and rounded, stated with a disarming simplicity; still life and landscape, a fish with a handle for a tail sitting across a pot, the trees and hills beyond as fat as the leaves and fruit sprouting on the curious rugger posts close by. This work is pleasing and effective, but undemanding. We must wait upon the artist pushing and testing it to see what its true potential for development really is.

The other show that caught my eye is at the Portfolio Gallery (105, Golborne Rd, W10: until May 30), where Jill Furmanovsky is showing a suite of photographs that treats upon the nostalgia among the young for the good old days, *Jive after Five*. It is an admirably professional essay, with its drape suits, DAs and full skirts, fond and anachronistic but hardly profound.

Anatol Orient (contemporary craft) and Creaser in the Portobello Rd, Gallery 24 in Powis Terrace, The Special Photographer Co and Crucial in Kensington Park Rd, and Themes & Variations (modern design, furniture and craft) in Westbourne Grove are the other galleries which took part in the festival, with the Crawshaw Gallery *hors concours*.

★

Charlotte St, W1 is not so far flung as all that, but only since the early '70s has it begun to attract dealers to it for more than their stomachs' sake. With Annely Juda and Angela Flowers firmly ensconced in Tottenham Mews just round the corner, and the Curwen Gallery well set up in Windmill St across the way, the opening of Karsten Schubert at 85, Charlotte St can only confirm the area of the Goodge St crossroads as a particular focus for the London art world.

The opening show (until May 19) is of new work by Alison Wilding, one of the most quietly distinctive and impressive of the sometimes overvaunted school of younger British sculptors. Her work is simple and beautifully worked and put together, each element judged in its formal context to a nicety. Yet its interest and authority run far beyond formal quality. A large stone egg is offered to us, isolated in its steep metal trench and the whole lapped round with a delicately cursive fender, as though it were some magic stone, an object of tribal veneration long forgotten—or yet to be invested, for it seems so new. A strange double scuttle stands ambiguously in the centre of the room, a pierced and waist-high brass and copper vessel that might hold who knows what fetish, sprite or genie. Her reliefs especially carry the suggestion of cups and vessels, scoops and scuttles.

★

And so towards Covent Garden and to Contemporary Applied Arts at 43 Earlham Street WC2, which is not a new gallery at all but the old British Craft Centre under its new name. *Carved Wood*, its present show (until May 9) is an entertaining anthology of work that teases its way from Fine Craft across no-man's-land towards Fine Art. Thus sculptors like Fred Watson, with his oak TV and pile of books, and Nicholas Pope with his wooden linen basket, happily rub shoulders with those more ambiguously placed, such as Bryan Illsley and Gerard Rigot, Eleanor Gould with her gossiping women, Howard Raybould with his painted dishes, Guy Taplin with his wonderful carved driftwood birds, and Jim Partridge with his rough and hefty oak chests. Holding the line beautifully for the craft object as an ambiguous work of art are David Pye, with his exquisite bowls and boxes, David Kindersley the letterer, and many others.

## New York Opera/Andrew Porter

The Met's first *Manon* in 20 years—and the first appearance of the opera in the new house—is a local edition of Jean-Pierre's bloated Vienna and Munich production. The gambling scene is not one gaming room but *four*, stacked up on two storeys, all thronged with gamblers dressed in white, with whitened faces. A fire-eater, fireworks, a shadow-play and a tightrope walker (who got a big hand from the audience as he completed his traversal of the stage, high above the crowd) dominate the Cours-la-Reine. Manon sang in competition with—and lost out—to an Afghan hound "supervised" (taught scene-stealing) by Tame Animals Inc. The last scene is set in a rubbish tip below the Havre road, and when Manon dies, Des Grieux rushes away. The curtain falls on Manon lying there as the latest piece of garbage.

Critics, we've been told recently, shouldn't just describe what they see but try to assess a producer's intention. Ponnelle's seems to have been to deride any notion that *Manon* is a charming, graceful, and enjoyable opera. To this end he employs caricature, parody, freezes, and slow-motion episodes. Manon herself is made unattractive in a series of increasingly unbecoming dresses. It's a "critical" view of the opera such as might be put forward in a trenchant essay. (I don't share it.) It seems rather a waste of time, talent and public money and to give the thesis a four-hour monster demonstration.

Catherine Malfitano, a seasoned Manon, has no chance to be sparky, volatile, captivating. The best performer was Denes Gulyas, singing the role for the first time, without stage or orchestral rehearsal. (He took over at the last minute from Neil Schicoff.) He didn't sing particularly well but had moments of attractive, when unpressurised, mezza voce, and he approached the part with the right instincts. The others—Michel Sénéchal's Guillot excepted—were poor. The elderly Manuel Rosenthal conducted, noisily and stiffly. Music isn't the point at the Met nowadays. Still less drama. The audience comes to applaud the scenery.

*Manon* is famous for Massenet's deft touches of *mélodrame*—a few spoken phrases over music, in moments lightly conversational or emotionally tense. Often these have been sung; it's easy to pick suitable notes from the accompaniment. In 1984 Massenet's great-granddaughter found a vocal score in which the composer himself had musicked the spoken phrases. The composer's recitatives were sung at a Strasbourg production that year and are sung again at the Met. They diminish the variety of Massenet's resource but do second Ponnelle's transformation of the opéra comique into something heavy and tedious.

The house already had a *Tosca* (by Zeffirelli) whose big moments are provided by the stage lifts, in Act 3, moving between the Castel Sant'Angelo dungeons and the platform far above. It has a *Bohème* (also Zeffirelli) in which the Bohemians' little garret is way, way upstage, behind acres of Paris rooftops, but a three-storey Act 2 holds 300 or so people. *Manon* was preceded by a new *Fledermaus*—an American edition of Otto Schenk's Vienna production—whose high moment for the audience is provided by the stage revolve, swinging Orlofsky's big party from outdoors to indoors. In this, Kiri Te Kanawa was a lack-lustre and sometimes inaudible Rosalinde. Judith Blegen's Adele entered on a burst of powerful, brilliant coloratura and seemed to have shot her bolt for the evening. Haken Hagegard, the Eisenstain, shouted. Schenk himself played Frosch, very slowly, omitting none of the hallowed gags, and the scene proved interminable. Jeffrey Tate's conducting was leaden.

*Carmen*, last season, was one of the Met's more serious endeavours: an American large-format edition of Peter Hall's Glyndebourne production, with Maria Ewing its heroine. It wasn't altogether satisfactory, but it held one's attention. In this season's revival the Hall-marks were fainter. Agnes Baltsa, in her first New York Carmen, klaxoned much of the music in a monotonously loud, unappealing chest voice, while she enacted a hoyden sometimes boisterous but more often sullen. The bloom on José Carreras's voice had not quite gone: scattered through the evening there were some good notes, and his interpretation was intense and powerful. Samuel Ramey brought some brio to the Toreador's Song but then reverted to his wonted blankness. James Levine secured exquisite playing in the entr'actes.

## Norrington & Fischer/Festival Hall

**Max Loppert**

The conductor originally announced for Sunday's Beethoven concert by the Philharmonia was Eugen Jochum, who died in March. The concert *therefore* became a *Jochum* tribute, and Roger Norrington, making—hard to believe!—his first appearance with this orchestra, took over Jochum's programme. Two more temperamentally dissimilar Beethoven conductors than Jochum the Grand Old Man and the wiry, style- and period-conscious Norrington it would be hard to imagine. But since all the performances were delivered in a sharp-pointed truthfully Beethovenian way, the tribute was well made.

With an orchestra of Philharmonia size and type it was, of course, out of the question for Norrington to attempt to replicate the manner of Beethoven symphonic performance that had been the point and climax of the recent South Bank *Beethoven Experience* under his guidance. But the seating plan, historically correct (violins seated opposite each other) and the voicing of orchestral parts, taut and astringent, were marks of the same fresh-minded approach to Beethoven interpretation; and so were the fast speeds chosen in the opening *Egmont* Overture and the closing *Eroica* (its slow movement faster than I have ever before heard it).

The overture caught fire: tense in the right way, without resort to belligerent or breathless articulation, and with a closing *allegro* of theatrical force and flourish. In the fast scales of the *Eroica* first movement, it did sound at times as though the players were hanging on to the conductor's coat-tails—a big London orchestra obviously needs time (and perhaps a longer rehearsal period) to re-think itself out of the usual monumental mode and into Norrington's fleet, glancing sense of symphonic drama. But for all that, it was a performance not just forward-moving but coherent and characterful (the Mendelssohnian lightness of the Scherzo was a revelation) — and, beyond that, exciting.

In the Fourth Piano Concerto, freshly but not always tidily accompanied, the soloist was Annie Fischer. When the spirit moves her, as it did on Sunday, and note splashes are kept to a minimum, as they were, Miss Fischer is one of the sublime exponents of this work. From the first chord, at once *dolce* and gently urgent, she draws the lines of thought with unbroken vitality and absolute probity—even if the fingers momentarily falter, the line stays firm. The impetuous energy of the finale was incomparably elating.

## Varady's Desdemona/Covent Garden

**Max Loppert**

Julia Varady, taking over as Desdemona in the current Royal Opera *Otello*, has made a long-delayed London operatic debut. The Romanian soprano first played a British operatic role, and won herself intense admiration, in the Scottish Opera *Alceste* 13 years ago; at Covent Garden on Friday the beauty of her Verdi singing and the vulnerable candour of her stage presence set up a powerful regret for the missed years in between (though Miss Varady has consoled us with some relatively frequent concert appearances, including an unforgettable Verdi Requiem soprano *solo* at the Festival Hall last year).

Perhaps for this house the voice is a shade or two less ample than the Desdemona ideal—on Friday the big phrases were not always properly prominent, though no doubt the conductor Edward Downes will by now have learned to cosset them, particularly in the Act 2 quartet, more carefully. But it's a voice with a gloriously personal, "speaking" timbre, characterised by a fast vibrato disciplined to draw emotional nuances and streaks of colour out of the text (of the current *Otello* principals Miss Varady is indeed the only one who shows any spontaneous responsiveness to Boito's words).

The chest register is warm and telling, the top pure and strong; the voice moves through the vocal writing casting freshness on every corner. It was a Desdemona to remind one that the character's glow of innocence establishes itself in the absolutely even gradation of intervals—the first phrases of the love duet, with their falling tones and semitones, were steady, even, and radiantly distinctive.

But it was far more than just a "singer's Desdemona". With eloquent suggestiveness Miss Varady's expressive features and quicksilver movements draw the line from happiness through uncomprehending alarm to final death-haunted fear (the farewell to Emilia more desperate and impassioned than any I've ever seen before). The rest of this *Otello* may amount to not much more than superior routine, but the Varady Desdemona, one of the house's most distinguished in recent years, regularly raises the level higher than that.

## Les Ballets de Monte Carlo

**Clement Crisp**

Monte Carlo's ballet company was founded just 16 months ago, and it still looks a very young ensemble. It boasts as its director and leading ballerina Ghislaine Thesmar, eminent Opéra *étoile*, and in Yannick Stéphant and Frédéric Olivieri two dazzling principals also produced by the Opéra. Most of the other members of the 40-strong troupe are young dancers, and the repertory highlights both the advantages and weaknesses of inexperience. In two programmes that I saw at the Easter week-end—part of the Principality's *Printemps des Arts* Festival—the subtleties of *Les Sylphides* and the plotless evolutions of Uwe Scholz's *Jeunehome* suggested a company needing to be disciplined and toughened by much more performance. But in works as diverse as Ashton's *The Two Pigeons* and Jean-Christophe Maillot's new *Miraculous Mandarin*, the response to the choreography was alert and sensitive.

It was a pleasure to see *Two Pigeons* in the surroundings of Monte Carlo's Opera House, whose adorable interior is so in sympathy with Messager's score and the sensibilities of Ashton's inspiration. The production by Robert Mead (the ballet's original Gypsy Chief) is scrupulous, and skilled in accommodating patterns where the stage does not permit the customary forces. The extreme contrast in the company's performance manner here with their account of the opening *Jeunehome* in the programme was testimony to Ashton's choreographic richness and to the present needs of the troupe.

Scholz's piece is set to Mozart's ninth piano concerto. A programme note asserts that "perhaps" the concerto was inspired by the young French pianist Mlle Jeunehome, and that "perhaps" she was blind. These quaint suppositions have little to do with choreography which mickey-mouses after the score in automatic fashion, its cast modishly outfitted by Karl Lagerfeld in grey, black and white tutus and jerkins. Frédéric Olivieri comes to the rescue of the first movement by tossing off bravura steps like Roman Candles of virtuosity, and in the pas de deux Ghislaine Thesmar deploys her considerable artistry and emotional delicacy in the arms of the elegant Paul Chalmer to make artistic bricks without much choreographic straw. The ballet is hollow — and never more so than in the mêlée of the last movement whose murkiest invention finds the girls of the corps de ballet being carried off-stage upside-down in the splits, their porteurs gazing with some fascination into the depths of their Lagerfeld undergarments. Poor dancers. Poor Mozart.

*Two Pigeons* inspired a liveliness and a charm of manner that caught all the ballet's sweetness of feeling. Certain nuances of Ashtonian style were missing, but Yannick Stéphant and Frédérick Olivieri were *authentically* the lovers. Mlle Stéphant has a flash of temperament that makes vivid both her love for the young Painter and her combativeness with the Gypsy enchantress, and also catches the feeling of tears just unshed at the saddest moments of the role. M. Olivieri is a lover worthy of her. With his bounding elevation and resilient personality, he is one of the best incumbents of the role that I have seen: tough in dancing, ardent in emotional response.

★

The Monte Carlo Ballet's second programme began unpromisingly with *Les Sylphides*. A mad backdrop of ruins was alleged to be by Benois (an attribution drawn out of a hat, I'd surmise) and the corps de ballet trod gingerly through the dances. Worse still, the score was played on a piano, Chopin served up to us at two removes since the pianist respected the tempi traditional for the orchestral version which has little to do with Chopin's indications. The effect was horrible. The soloists rose gallantly above these encumbrances—Yannick Stéphant beautifully gentle; Paul Chalmer a sensitive Poet; Muriel Maffre and Anne Derieux pleasingly individual in the mazurka and the little waltz. And as a bonne-bouche, the *Don Quixote* pas de deux was given with proper bravado by Elizabeth Maurin from the Paris Opéra and Jassen Valtchanov, a premier danseur from the Sofia Ballet.

At the heart of the programme was a new version of Bartok's *Miraculous Mandarin* by Jean-Christophe Maillot, choreographer to the Ballet de Tours. By deciding to abandon the original scenario and replace it with a narrative about the failure of a marriage, Maillot has run the risk of denying and trivialising the dramatic and erotic tensions of the music. Ghislaine Thesmar is seen trapped in an arid relationship with Frédéric Olivieri, its sterility shown in a prologue which uses one of Bartok's early orchestral *Portraits*. The decor of an ultra-modern interior (well designed by the choreographer's father, Jean Maillot) is transformed into a *Caligari*-esque inner landscape of tilted angles that is the wife's dream-world as she imagines an ideal relationship by means of seven figures who double her husband's presence. An eighth figure is the Mandarin, a role well taken by Guillaume Graffin, who becomes the dreamed-of mate.

Strong as are the performances of the central trio—Mme Thesmar suffers in fine style, with Olivieri and Graffin opposing the dark and light aspects of the husband's personality through bravely forceful dancing—the score is minimised by a pedestrian narrative. M. Maillot makes intelligent and persuasive choreography, but "Whatever happened to our marriage?" is no substitute for the sexual melodrama of the original scenario and Bartok's blazing response to it.

Frédéric Olivieri, who had already on Easter Day danced leading roles in *Jeunehome*, *The Two Pigeons* and *Miraculous Mandarin*, finished with a powerful account of the Polovtsian Chief in *Prince Igor*. There was not enough physical weight or earthiness in certain other of the performances, and the costuming was lurid, but Olivieri tore into the Chief's dances with undiminished vigour, and in Vanina Vinciguerra, the Polovtsian Girl received an interpretation of warm allure and physical roundness. In this performance, as in so much of the repertory I saw, the Monte Carlo dancers showed an endearing willingness to work: they merit many more occasions and more ballets in which to confirm their already promising identity.

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 24–30

## Opera and Ballet

### ITALY

**Florence:** *Maggio Musicale Fiorentino* opens with Benvenuto Cellini by Berlioz, conducted by Vladimir Fedoseev and directed by Elijah Moshinsky. The young Italian soprano, Cecilia Gasdia sings Teresa, Elena Zilio, Ascanio – and American tenor Chris Merritt, Cellini. Sylvano Bussotti designed the scenery and costumes (Tue, Thur). Box Office: 277 9236.

**Naples:** Teatro di San Carlo: Rossini's Semiramide conducted by Alessandro Siciliani, with Montserrat Caballe, Kathleen Kuhlmann (alternating with Susanna Anselmi) and Antonio Savastano. (Sun, Wed) Box Office: 41 82 66.

**Turin:** Theatro Regio: The Florence Comunale's production of Tosca, directed by Peter Busse and conducted by Yuri Ahronovitch. Elena Mauti Nunziata sings the title role, Nicola Martinucci alternates with Ottavio Garagenta as Cavaradossi, and Nelson Portella sings Scarpia. (Sun, Tue). Box Office: 548 000.

**Trieste:** Teatro Verdi: Shostakovitch's La Lady Macbeth del Distretto di Mzensk (Italian translation by Falvio Testi) in the version which was performed in the 1930s, before being condemned as deviationist and depraved by Stalin. The cast includes Radmila Bakocevic, Giuseppe Fallisi, Richard Burke and Martin Egel, conducted by Niksa Bareza. (Sun, Tue). Box Office: 631 948.

**Rome:** Teatro dell'Opera: Mozart's Il Nozze di Figaro conducted by Gustav Kuhn and directed by Alberto Fassini (based on the Visconti version, with his sets and costumes). The cast includes Anne Sophie von Otter, Alessandro Corbelli, Adelina Scarabelli and Claudio Desderi (Wed). Box Office: 46 17 55.

### WEST GERMANY

**Berlin,** Deutsche Oper: Tosca with a new cast led by Nelly Miricioiu and Neil Shicoff. Rigoletto, produced by Hans Neuenfels, with Barbara Vogel, *Ute Walther and Ingvar Wixell*. Also Giselle with Eva Evdokimova dancing the title role.

**Hamburg,** Staatsoper: Carmen stars Theresa Berganza, and Rigoletto Lucia Aliberti, Francisco Araiza, Leo Nucci and Harald Stamm. They are joined by Margaret Price and Franz Grundheber in Don Carlos.

**Frankfurt Opera:** Michael Halasz conducts La Bohème with Yoko Watanabe, Alberto Cupido and Paula Page. Ruth Berghaus' production of *Götterdämmerung stars* Caterina Ligendza, June Card, William Cochran and Manfred Schenk. Anja Silja, Barbara Bonney and William Cochran sing in Fidelio, and Le Nozze di Figaro returns to the repertory.

**Cologne,** Opera: *Maria Slatinaru*, Ludwig Baumann and Herman Winkler sing in Fidelio, in repertory with Aida.

**München,** Bayerische Staatsoper: Werther brings Brigitte Fassbaender, Helena Jungwirth and Francisco Araiza together. Adriana Lecouvreur stars Mirella Freni, Hanna Schwarz, Giacomo Aragall and Gustav Kuhn. Lucia Popp, Brigitte Fassbaender, Julie Kaufmann und Kurt Moll sing in Der Rosenkavalier, and other productions this week are La Bohème in Otto Schenk's production with Katia Ricciarelli and Alberto Cupido, and Don Carlos with Maria Zampieri, Bruna Baglioni, Nicolai Ghiaurov and Leo Nucci.

### SPAIN

**Madrid:** Don Pasquale by Donizetti with Enzo Dara, Enric Serra, Yoshihisa Yamaji, Enedina Lloris, Santiago Gerico. Teatro de la Zarzuela, Jovellanos 4 (Tue, Thur). Chit Chat – ballet by Patricia Bardi (Tue to Thur) and Cia Madrid Danza Contemporanea "Nudos en ningun lugar" (Mon, Wed, Thur). Circulo de bellas Artes, Alcala 42.

**Barcelona:** Mozart's Lucio Silla with Ezio di Cesar; Jenny Drivala, Raquel Pierotti and Julia Conwell conducted by Julius Rudel. Gran Teatre del Liceu, Sant Pau 1 (Thur).

### LONDON

**Royal Opera,** Covent Garden: Julia Varady, a distinguished Romanian soprano celebrated in Germany and far too seldom heard in Britain, makes a long-delayed Royal Opera debut this week, taking over the role of Desdemona in the current Otello revival. Vladimir Atlantov, the Bolshoi tenor, takes the title role, Sherrill Milnes is Iago and Edward Downes conducts.

**English National Opera,** Coliseum: two versions of the Don Juan legend play side by side at the Coliseum this week. The most famous, Don Giovanni, returns in Jonathan Miller's uneven but lively production, with William Shimell in the title role. Dargomyzhsky's The Stone Guest, a crucial work of Russian operatic history joining the British repertory for the first time, has Keith Warner as producer, Paul Daniel as conductor, and a cast including Graham Clark, Kathryn Harries, Sally Burgess, and Neil Howlett. The new production by David Alden of Simon Boccanegra is surreal, clumsy and uninteresting, but the singing (by Jonathan Summers, Gwynne Howell and Janice Cairns) and the Verdi conducting of Mark Elder go a long way toward making amends.

### PARIS

**Elektra** conducted by Kent Nagano with Helga Dernesch, Gwyneth Jones and Cheryl Studer alternates with Maguy Marin's ballet Lecons de Tenebres to Couperin's music conducted by William Christie in which light is created out of chaos and darkness. It is followed by Lazzini's La Fille Mal Gardée in a refreshing pantomime version. Paris Opera (4266 5022).

**Spectacle GRCOP** – *Groupe de Recherche Choreographique de l'Opéra de Paris* produced contemporary creations with one including even the Orchestre National de Jazz at the Opera Comique (4296 0611).

**Pina Bausch** and the Wuppertal's Tanztheater reveal through remorseless questioning the essential in man in two alternating programmes: Gebirge and Kontakthof. Théâtre de la Ville (4274 2277).

### VIENNA

**Staatsoper:** Rusalka conducted by Neumann with Beackova-Cap, Randova, Sasaki, Sima, Hintermeier (Fri); Daphnis and Chloe conducted by Zagrosek with Seyfried, Over, Karl, Totzler; The Firebird conducted by Zagrosek with Jaska, Nowak, Tichy, Wilhelm; both Sat, Mon. Tristan und Isolde conducted by Stein with Jones, Lipovsek, Versalle, Salminen (Sun). Andrea Chenier conducted by Kobucar with Slania, Beckanova-Cap, Yachmi, Lilova (Tue). La Traviata conducted by Zedda with Ghazarian, Winsner, Gonda, Lima, Zancanaro (Wed); Die Puppenfee by Baier, and Wiesenthal – Tänze by R. Strauss conducted by Sollak (Thur). (51 444/26 55).

**Volksoper:** Der Bettelstudent conducted by Bauer-Theussl with Motil, Steinsky, Schmid, Juster (Fri). Die Csardasfürstin conducted by Bibl with Motil, Beer, Radek. (Sat); Madame Pompadour conducted by Bibl with Ramm, Burger, Loewinger. (Sun). Die Weise von Liebe and Tod des Cornets Christoph Rilke conducted by Märzendorfer with Eder, Bokor, Rudiferia, (Mon). Die Entführung aus dem Serail conducted by Parik with Sepp, Rudiferia, Vinzent (Tue). Der Zigeunerbaron conducted by Artzmueller with Banfalvi, Holliday. (Wed). Hoffmanns Erzählungen conducted by Bernet with Eder, Kertesi, Radek, (Thur). (51 444/26 57).

### NEW YORK

**City Center:** Paul Taylor Dance Company includes revivals of Dust, Images, Polaris, and Profiles along with a new work choreographed for the first time by Mr Taylor to Mozart. Ends May 17, 55th e. of 7th Av (246 8989).

### NETHERLANDS

**Amsterdam,** Muziektheater. The National Ballet with Frederick Ashton's Cinderella (Tue, Thur). (255 455).

**The Nederlands Dans Theater** tour with The Unsung (Limon) and L'Histoire du Soldat (Kylian/Stravinsky), Tue in Eindhoven, Schouwburg (11 11 22), Wed in Nijmegen, Schouwburg (22 11 60), Thur in Scheveningen, Circus Theatre (55 88 00).

**Rosalind Newman** and Dancers on tour from the US. Mon in Breda, Concordia (13 57 00), Wed in Den Bosch, Casino (125 125).

**Scheveningen,** Circus Theatre. Kathak dancers from India (Wed). (55 88 00).

### TOKYO

**La Tragédie de Carmen:** Peter Brook's renowned original production. The Peter Brook Company directed by Brook has been chosen to open Tokyo's newest theatre, the Ginza Saison. By eliminating the usual opera fillers and distractions, concentrating on the main characters and convincing acting and relegating the (conductor-less) orchestra offstage. Peter Brook's version ensures that nothing interferes with the drama and realism. In the five years during which this Carmen has been seen in Europe and the US, Japan has campaigned for its performance here. *But Brook rejected every suggested* venue. This unlikely modern theatre was accepted because of its flexibility. The newest cultural jewel of the Seibu Group is so deceptively converted into an arena space, complete with red sand floor and plain high walls that it has been made to look like Brook's Paris base, the famed, gutted Théâtre des Bouffes. Other innovations include the civilised 7.30 (6.00 at weekends) start and restaurants for after-theatre dining. Ginza Saison Theatre (535 0555; 980 6886).

## Holloway & Poulenc

**David Murray**

Last autumn I reported enthusiastically upon the "amateur" Hertfordshire Chamber Orchestra, which plays to a high musical standard for fun. On Sunday they appeared in Rosslyn Hill Chapel, this time with Grant Llewellyn as conductor. The popularity of the chapel for recording sessions testifies to the miracles of electronic engineering, for actual concert-sound tends to swim in the ecclesiastical acoustic. Not ideal for Mendelssohn's *Dream* music, of which we more or less heard the three most familiar numbers, played with much fleetness and a few slips.

By contrast the reedy, slightly curdled harmonies of Robin *Holloway's 1984 Viola Concerto* seemed to acquire extra depth, and without prejudice to the soloist—a solo viola is easily covered, but not Paul Silverthorne's super-viola. Holloway's writing for the instrument sounds entirely grateful, lyrical almost throughout and indeed tuneful; Silverthorne gave it full dramatic weight without histrionics. The construction of the Concerto is almost too neat for the expressive density of some of the material—the workings-out are tidy and clever where more expansive development seems invited. On its tight scale, however, everything tells (as far as it goes), and for once Holloway's deprecating little jokes are kept firmly off-stage.

The most besotted Poulenc devotee would not rate the 1947 Sinfonietta high among his purely orchestral symphonic pieces — and it is his only one. This b.P.d. was nevertheless glad to hear it at last in concert: the BBC, who I seem to remember commissioned the work (perhaps trying to encourage Polene along a more "serious" path), still gives it air time, but even the ballets earn their keep better. Granted that the Sinfonietta never for a moment successfully pretends to be going anywhere in particular, it is still an appealing kind of Poulenc-sampler (as well it might be, since it is staffed with self-quotations). Llewellyn and the Hertfordshire players were bright and thoroughly idiomatic: the Scherzo and especially the Finale went with a Gallic verve that is not to be counted upon from London professionals.

## Kirov Opera to visit Britain

The Kirov Opera is to visit Britain for the first time this summer, opening at the Royal Opera House, Covent Garden on July 28 for two weeks.

Accompanied by the Kirov Opera Orchestra — which includes mime artists and dancers from the Kirov Ballet—the company will present three operas: Chaikovsky's *The Queen of Spades* and *Eugene Onegin*, and Musorgsky's *Boris Gudunov*—the first night of which on August 5 will be a royal gala.

The company will then move to Manchester (August 10-15) and Birmingham (August 18-23) before returning home.

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# Mr Nakasone in Washington

OVER THE PAST 4½ years, Mr Yasuhiro Nakasone, the Japanese Prime Minister, has *made his periodic pilgrimages* to Washington with justifiable confidence. If he had any problems, his good friend, President Ronald Reagan, could *help solve them*. This week's visit is very different, and not only because the President's authority is diminished. For it is the once mighty Prime Minister who will be entering the lion's den of protectionism apparently on little more than a wing and a prayer.

Mr Nakasone, understandably, will not necessarily see it in *this light*. Like most touring Japanese leaders he will be bearing gifts. These will include the outlines of a new reflationary package, another Maekawa report on economic restructuring, and an extraordinary proposal to divert as much as $30bn of the accumulating Japanese surpluses over the next three years to ease the debt problems of Latin America.

### *Doubtful provenance*

All make for good reading. The debt scheme, in particular, is an initiative which, in theory, all must applaud. Only a handful of visionaries in Tokyo had previously contemplated such a radical and innovative recycling of Japan's enormous surpluses. But its very radicalism, coming from a country which believes in incrementalism, and the conspicuous absence of support from the powerful authorities in Tokyo who must implement it, leave its provenance in grave doubt.

Equally, the second Maekawa report, out one year after its heralded predecessor, is longer on analysis than it is on prescription, a state afflicting Mr Nakasone himself at present, for he has just seen his vaunted tax reform package humiliatingly shot down. A key ingredient of this package was the now withdrawn new sales tax, which was designed to finance a cut in income taxes, the stimulative part of the overall reform.

More than that, the Prime Minister had been arguing that the tax bill was a precondition for the very restructuring called for in the Maekawa report and so anxiously awaited in Japan and overseas. Failure to get over the first hurdle does not augur well for victory over the country's entrenched interests.

But Mr Nakasone, and his country, also deserve sympathy. The performance of Mr Clayton Yeutter, the Trade Representative, and Mr Richard Lyng, of the Agriculture Department, in Japan last week left much to be desired. Japan does protect its agricultural sector too much, with the result that its domestic price levels for a whole range of commodities, including rice, are too high, a fact that the Maekawa report recognises. It is in the global interest that agricultural protection be reduced. But the US needs to accept that public policy in America, with its vast natural resources, is not instantly transferable to a country like Japan, where food and energy security cannot be taken for granted.

The US and the EEC should be aware that humiliating Japan serves no useful purpose. It might indeed push Japan in undesirable directions. There is discernible a new strain of Japanese nationalism, of which Mr Nakasone is a representative, which could be a positive force in the world. Many of the younger businessmen and bureaucrats now rising to positions of influence want to be more involved in global issues and to make the Japanese voice, as well as goods, known in the world. Their orientation is unquestionably Western at present but their allegiance is not automatic. If Western nations insist on making Japan the scapegoat for their failings, then they may find that the hitherto placid worm may turn.

### *Blind emotion*

It is, probably too much to expect Mr Nakasone and Mr Reagan, in their weakened political conditions, to solve all existing problems at a stroke. But it is to be hoped that both will inject a note of reason into what is becoming a discordant cacophony of recrimination and blind emotion. The bilateral relationship is too important, not only to both nations but to the rest of the world, to be allowed to sink into such disrepair.

# Sweden returns to grace

THE SWEDISH model of economic management has regained much of its lustre. As the newly published report on Sweden from the Organisation for Economic Cooperation and Development (OECD) shows, the country's economy has largely recovered from the deep troubles into which it sank in the late 1970s.

Unemployment is low, even allowing for the existence of make-work schemes; industrial production is high; and the current external account is in surplus and expected to remain so this year, helped by windfalls such as the collapse of the oil price since 1985 and the decline of the US dollar.

The base upon which these achievements were built was laid in 1982 with a steep devaluation of the krona which may have exceeded the limits of good neighbourliness, but which was not frittered away by lax internal policies. Monetary policy has been kept tight. So has fiscal policy. The general government deficit has been cut from 6 per cent of gross domestic product in 1982 to 1½ per cent in 1986. This drastic reduction was not accompanied by an increase of the tax burden: taxation revenues have remained steady at 51 per cent of GDP.

### *Socialist stewardship*

In a rather strange reversal of roles all this was done under Socialist stewardship. During the late 1970s an anti-Socialist coalition had vainly sought to ride the economic storms of the period with a policy of deficit spending and of trying to preserve declining industries, such as shipbuilding, by means of generous subsidies.

These policies, of a kind more generally associated with the Left, were reversed by the Swedish Socialists when they returned to power in 1982. Devaluation and the successful supporting policies bore the personal stamp of the Finance Minister, Mr Kjel-Olof Feldt, who knows his economics, but at least to some extent also of the late Mr Olof Palme, then Prime Minister, whose socialism was not short of intellectual rigour.

The policy mix adopted since 1982 has helped Sweden to achieve greater mobility of labour than is usual in present-day Europe, making for a better allocation of skills and manpower. There are even those who say that the Swedish tradition of egalitarianism in dislike of pronounced wage differentials make it easier for workers to abandon declining industries because it reduces the danger of their having to take steep losses of income. If that be true it is still not a prescription easily applied in other cultures less devoted to equality.

So much for the positive side. Of course there is a negative one. Economic growth is slow, even by the standards of the Europe of the 1980s. The OECD puts it at 1.7 per cent both this year and last, following on 2.9 per cent on average in 1983-85. The finance ministry in Stockholm believes that growth potential over the next few years is 2.2 per cent, not especially high even for a mature economy.

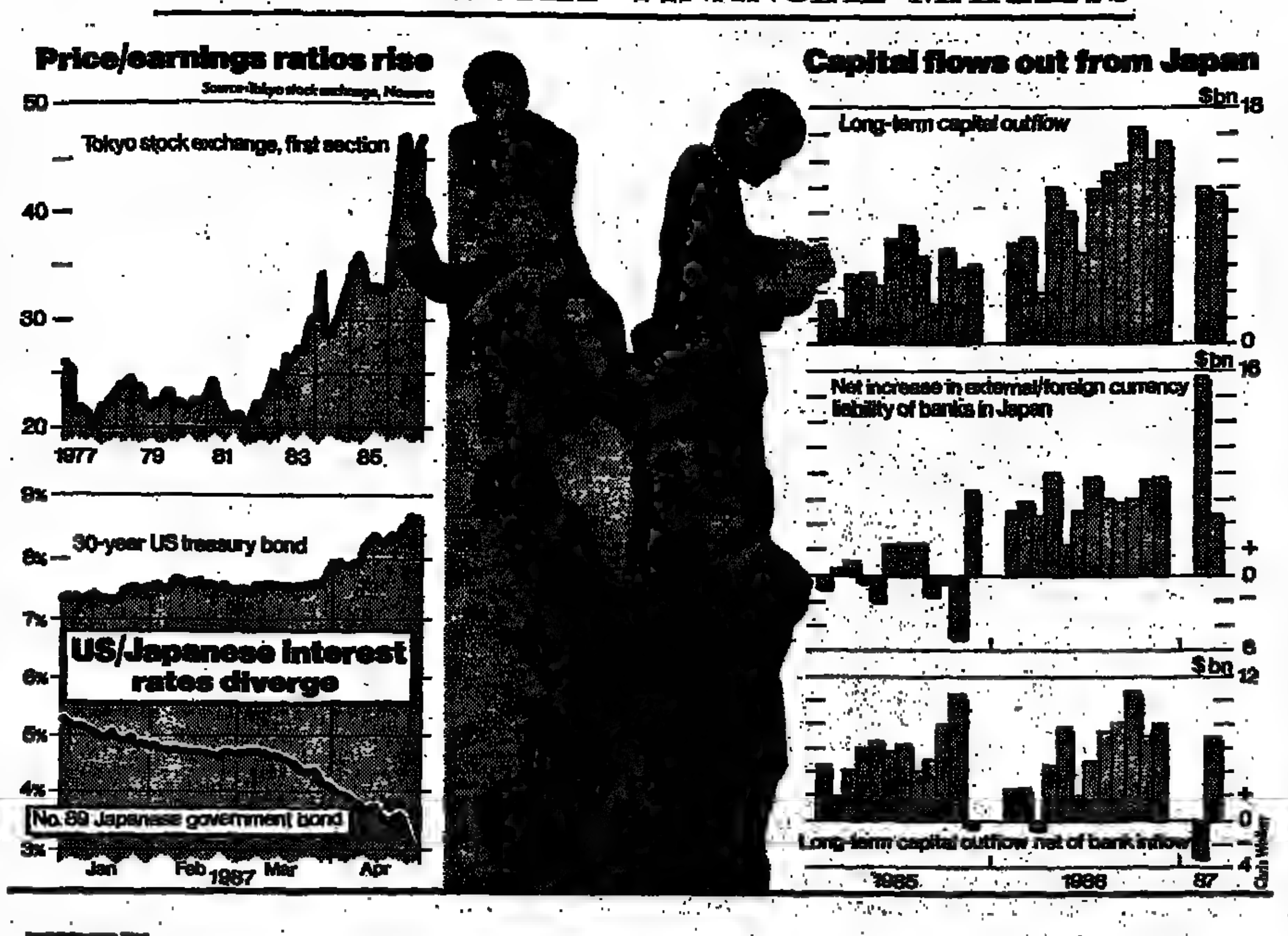
The OECD report also warns the Swedes that, buoyed up by close to full employment, their wage costs are rising faster than those in competitor countries. A somewhat cryptic passage in the report suggests that a higher degree of consensus in the wage negotiating process would seem desirable. Sweden is normally held up as an example of a consensual society, but that harmony has recently been disturbed by the growing power of the public service unions which are less directly concerned than those in private industry with the business success of their employers.

### *Krona rate*

Swedish difficulties with restraining the increase of wages—and the consequent danger that private consumption will gobble up resources required for investment in industry—has been noted by others and has led to a proposal that the krona should be allowed to depreciate externally by being floated or by a succession of devaluations. Experience has shown elsewhere, and may be about to demonstrate once more in the case of the US, that devaluation is not a substitute for economic policy.

The OECD speaks out clearly against such a policy of the easy option. The Swedish Government's face is also set against it. But the danger persists that labour costs, unless they are brought under control, will endanger Sweden's competitiveness, exchange rate, and return to grace.

## JAPAN AND WORLD FINANCIAL MARKETS




# The money machine is overheating

By John Plender in Tokyo

FOR THE past month or so, Japanese stock markets have turned a resolutely blind eye to one piece of bad news after another. But not any more, it seems.

As Mr Yasuhiro Nakasone, Japan's beleagured Prime Minister, departs for Washington this week in an attempt to unwind US-Japanese trade tensions, stock prices are plummeting in Tokyo. There was nervous talk yesterday of 1929. Could the speculative bubble in the Japanese market finally burst?

The danger is real enough. Currency instability has turned the Japanese financial system into the world's most unpredictable generator of hot money, with an awesome potential for destabilising both foreign and domestic markets. If, as fund managers in Tokyo expect, Mr Nakasone's dialogue with President Reagan is accompanied by a further placatory fall in Japanese interest rates, the outcome may well defy conventional expectations.

In a more stable world, a decline in the official discount rate from an already record low of 2½ per cent to 2 per cent would cause Japanese savings to flow back into the US in time for the next US Treasury bond auction in May, in response to the widening interest rate differential between the two countries.

Yet the huge US-Japan trade imbalance casts a long shadow. By relying mainly on dollar devaluation to curb the US trade deficit, the US has inflicted huge currency losses on Japanese investors. Analysts here claim that the total losses, realised and unrealised, could run to as much as $35bn over the past two years.

This estimate may be as speculative as the Tokyo market. What can be said with some certainty is that the emergence of Japan as the world's largest creditor, with more than $200bn of external assets, has prompted one of the more spectacular de facto defaults in financial history from Japan's most important ally and trading partner.

Small wonder that Japanese investors have been scared into diverting funds back into a wildly overheated domestic equity market. Tokyo now tops Wall Street with a capitalisation of around $2¾ trillion ($2,750bn), sports an average price earnings ratio of more than 50 and values the domestic equivalent of British Telecom Nippon Telephone and Telegraph, on a p/e ratio of 250 or so.

The roll call of those who are anxious about the level of stock prices and land values in Tokyo is impressive.

Mr Satoshi Sumita, the Governor of the Bank of Japan, last week publicly expressed grave concern that Tokyo stock and bond markets were near "danger zones." At the Ministry of Finance Mr Toyo Gyohten, Vice Minister of Finance for International Affairs, tells visiting journalists that he worries when exchange rate risk supercedes rates of return in Japanese investors' minds, causing money to flow back into domestic financial markets.

So, too, with Mr Yoshihisa Tabuchi, president of the world's largest investment house, Nomura Securities (which is now capitalised at seven times the market value of a US banking giant such as Morgan Guaranty). He is concerned about overheating in domestic markets and excessive currency instability. All three have a point.

The familiar part of the story is that Japan's trade surplus is simply a reflection of the imbalance in the domestic economy between savings and investment. As the appreciation of the yen since 1985 has made the export sector less competitive, demand for new capital in the primary market has waned. The vast weight of personal sector savings, reflected in a cash flow of more than $700bn pouring into the market last year, has thus put enormous upward pressure on stock prices in the secondary market in existing shares.

Less well understood is the extent to which the upward spiral has been fuelled by speculative activity on the part of businesses which have sought to compensate for their declining export earnings by pumping money into the stock market. Increasingly they are speculating with borrowed money as the appreciating yen takes its toll on profits and balance sheets. This phenomenon goes much of the way to explaining why broad money in Japan is increasing at around 9 per cent when inflation is close to zero. Stock market and land profits are keeping troubled companies solvent.

The formidable hot money machine created by corporate and institutional investors has had a powerful influence on international markets. Japan's corporate speculators are reckoned to have accounted for around half the country's recent portfolio outflow, which topped $100bn last year. But since the leading industrialised countries agreed in September 1985 to engineer a fall in the value of the dollar, Japanese investors have hedged their currency risks by borrowing short-term dollars to buy long-term US Treasury bonds.

**The risks in Tokyo are exceptional . . . Foreign markets cannot hope to escape the backwash—for good or ill**

There are no adequate statistics. But Nomura Research Institute points out that increases in net external foreign currency liabilities of Japanese banks are probably a fair proxy for this heavily geared outflow.

While the Baker-Miyazawa currency pact late last year might have been expected to reduce such hedging, it did not happen. Instead the rapid collapse of the agreement is reflected in a hug increase in dollar borrowing in January (see chart).

This raid on the banks actually exceeded the long term capital outflow from Japan; so with nothing to hold back the rise in the yen, the current account surplus on the balance of payments exerted immense upward pressure on the exchange rate.

Much the same happened in March as Mr James Baker, the US Treasury Secretary, responded to protectionist pressure in Congress by talking down the dollar. When the yen-dollar exchange rate broke through 150, Japanese investors succumbed to panic. In the last two day of March alone, long-term investors are reckoned to have dumped $3bn of US Treasury securities, so undermining the value of their own dollar holdings. US and Japanese bond markets diverged dramatically (see chart); minimal foreign buying has taken place this month.

The effect of all this on Japan's domestic economy has been perverse. Capital exports that are financed by foreign currency borrowing do not require Japanese investors to sell yen in exchange for dollars until they pay off the currency debts. So the apparent capital outflow has done nothing to prevent a 40 per cent appreciation of the yen over the past 18 months.

This upsurge was compounded by the recent retreat from foreign investment which imposed a further squeeze on Japanese exporters by putting additional pressure on the yen. Hence the soaring price-earnings ratio in Tokyo: earnings and prices were simultaneously moving in opposite directions.

A logical response at this point would have been for Japanese investors to switch from US bonds into US equities and other foreign markets. To some extent this happened. Yet the shortage of know-how in Tokyo on foreign equities (which call for more intensive research than bonds) is acute, while the rest of the world's markets lack depth.

Such investors were prepared to swap currency risks in the US for liquidity risk elsewhere. But most responded to what is jocularly known in Tokyo as "the parking problem" by repatriating funds. And to compensate for currency and other losses they have been trading furiously. This applies not only to equities but to domestic bonds: more than $170bn og government debt matures this year at interest rates way above today's low levels.

With trade barriers descending and the Venice summit planned for early June, it would not be surprising if the Ministry of Finance informally prompts the institutions (again) to average downward the overall cost of their dollar portfolios by spending their still appreciating yen at the May Treasury auction. Given their increased sophistication in hedging, they may yet dip in. But in the absence of a convincing currency agreement, the general consensus is that investment will be very short term, leaving Tokyo on heat.

Having lost touch with fundamentals, the equity market is vulnerable to shocks. Yet no one can afford prices to move sideways, let alone down, because of excessive leverage. The corporate margin traders have been borrowing to invest in a mahrket that yields a mere ½ per cent in income. If capital values stop rising, the more vulnerable exporters will see their chief cushion against bankruptcy removed, as they cease to service debt out of dealing profits.

The Government, meantime, is partly dependent on privatisation revenues to finance any fiscal expansion. It must also be conscious that by offering small investors equity instead of bonds, it is offering no guarantee against loss of capital: the downside risk on an NTT style p/e ratio of 250 bears pondering.

Comparisons with 1929 should nonetheless be treated with caution. The big four securities houses in Japan, with their huge retail sales networks and enormous discretionary funds under management, exercise a dominant influence over prices. In the past the Government itself has not hesitated to prop up the equity market with government share purchases when conditions threatened to become chaotic. The Japanese way of bankruptcy is also more delicately selective than in the West.

That said, the risks in Tokyo today are exceptional. And in the continued absence of new domestic borrowers capable of absorbing the institutions' burgeoning cash flow, volatility is endemic. Foreign markets cannot hope to escape the backwash—for good or ill.

If the Tokyo market holds up, Japan will almost certainly export higher price earnings ratios (and thus lower capital costs) with its capital outflow as it becomes more familiar with overseas markets. If it crashes, Japanese investors may or may not desert equities across the globe, but the inter-bank market would feel the backlash if aserious bankruptcy precipitated the slide.

And if the world's financial leaders do strike a convincing currency agreement, the initial impact could, paradoxically be destabilising, as heavily borrowed Japanese investors buy dollars to liquidate part of their $35bn-worth of borrowings in order to hold the investments directly.

With luck the challange will be to manage continuing volatility rather than an outright creash. But fingers should undoubtedly be crossed.

## Men and Matters

### Tramiel seeks better balance

Jack Tramiel, head of Atari, the personal computer maker which pioneered video games, must be the only US computer industry leader who wants to see the percentage of his company's revenues generated in Europe going down.

This is not because he is paying less attention to Europe. On the contrary, Tramiel was in London yesterday planning a whole series of initiatives for the UK, including a new software centre, a new computer game and a drive to sell more Atari personal computers.

Tramiel is uneasy because two thirds of Atari's business is generated in European markets such as West Germany, where Atari is particularly strong. So he wants to redress the balance by expanding his US operations even more rapidly than his European business.

Tramiel usually gets what he wants. One of less than 1,000 Jews from Lodz in Poland to survive the concentration camps, Tramiel moved to the US in 1945. There he built up Commodore, the company he founded in 1954, to be one of the giants of the US personal computer business.

Forced out of Commodore in 1984, Tramiel wasted no time in buying Atari, which was then haemorrhaging cash, from Warner Communications. Analysts were surprised by the speed with which Tramiel turned round Atari, which is back in the black again. Some even joke that it will be only a matter of time before Atari buys Commodore.


"Hold the two lemons and press the tactical voting button . . ."

### Going Dutch

Robert Fildes, aged 48, joined the brain drain from London to America several years ago after he left Glaxo, and he has a mid-Atlantic accent to prove it.

Now chief executive officer of Cetus, one of the leading California-based biotechnology companies, he was previously based in Massachusetts as president of Biogen, another biotechnology group.

His latest expansionary thrust for Cetus is bringing him back to Europe where the group has just raised $100m in convertible bonds in London, and is also busy establishing a local headquarters in Amsterdam.

The new 15-year bond offering immediately romped off to a premium, helped by news that Cetus's anti-cancer drug, Interleukin-2, is being allowed more extensive testing by the US Food and Drug Administration.

Fildes believes that it will only be two years or so before the new product will be generally available, just about meeting the normal seven to eight year cycle for the development of a major new drug.

By that time he wants to have Cetus established in Europe to exploit it on both sides of the Atlantic. He is planning both research and eventually manufacture in Holland.

The project almost went to Scotland, but was pipped at the post because it could not obtain investment incentives at the levels offered by the Dutch.

### Swedish share

With tourists pouring into Britain once more, Lars Welinder, a 39-year-old Swedish marketing entrepreneur, has good cause to celebrate. He is the man who spotted a lucrative opportunity three years ago and launched a company called London Tax Free Shopping (LTFS) which specialises in VAT refunds to foreign shoppers.

To date, about 2,500 UK retail outlets — including Jaeger, Dunn, Ratners, Currys and Clarks Shoes — have joined the scheme, which offers tourists a streamlined means of reclaiming VAT, and saves the retailer tons of paperwork.

But that is only the start. By the year's end, says Welinder, LTFS hopes to be handling 10,000 retail outlets and 2,000 transactions a day. At retail prices, the value of this business will be an estimated £40m rising to a projected £250m by 1992.

For its trouble, LFTS gets 3 per cent of the selling price of the goods, which is deducted from the VAT refunded to the customers. There is no charge to the retailer.

Recently, LTFS was snapped up by Aranas, the Swedish property group, one of whose subsidiaries, Europe Tax Free Shopping, runs VAT refund schemes in Sweden, Finland, Norway and Germany. According to Wesinder: "Aranas is depositing a bank guarantee of £1m as security against non-payment of VAT refunds—an indication of the seriousnesn of our intentions in Britain."

### Ulster's energy

"I am regarded here as the second Dutchman to make trouble in Ireland," says Dr Roelof Schierbeek, aged 64, chairman of the Northern Ireland Electricity Service, and former chairman of the British Enkalon fibres group, who has lived and worked in Ulster for the past 25 years.

Remembering the troubles stirred up by the first Dutchman he referred to, King William of Orange 300 years ago, the tall, deep-voiced Schierbeek normally likes to avoid public controversy.

But now he is openly trying to dissuade the government from allowing private industry to profit from the province's cheap reserves of lignite (low calorific coal) by building and operating a big new power station.

Last week he seemed to avoid government displeasure by abruptly cancelling a press conference which clashed with one organised by the Ulster energy minister, Peter Viggers.

But Schierbeek is now expected to step up his campaign against the private power plan. "It is only 15 years since Ulster's three competing electricity utilities were unified into a single public utility," he told me. "We are a small, self-contained unit, with no links to other electricity markets. It does not make sense to start splitting up the industry again."

### Stray missiles

An exchange of rockets has just just taken place across the United States-Mexican border.

They were not the usual diplomatic rockets by way of barbed notes. They were 23 examples of the real thing. Mexico has handed them over to the US army.

The US-made rockets were first acquired by a border scrap merchant, who bought and imported a job lot of US Army packing cases. Only when they arrived in Mexico did he find that some of them had never been unpacked. And when they were opened they were found to contain the rockets.

**Observer**

# Letters to the Editor

## Privatisation: a threat to pit safety

*From Mr P. E. Heathfield*

Sir, — The bias running through John Redwood's article on the coal industry, Time to go for the cheapest solution (April 22) was predictable enough. However, the ignorance of the practicalities of the coal industry he showed was nothing short of astounding. The abysmal government policy on coal prosecuted so zealously at No 10 we can now see clearly for what it was—profoundly misinformed political bigotry.

As head of the Prime Minister's policy unit in 1984/85 there are a few things Mr Redwood might have learned:

● Once a pit has been closed the roadways collapse, the workings flood and it cannot be reopened except at excessive cost and in terrible danger—no private operator would even consider re-entering a closed pit, as he advocates.

● Investment in new technology in the coal industry has already been massive, and it will continue; but what it has not done is to create more job opportunities. The mining automation programme, began in the late 1970s, has led to the loss of around 80,000 jobs already. The unemployment crisis in mining communities remains especially acute among the young for whom opportunities have disappeared. Since 1979 another 50,000 jobs have been lost through capacity cutbacks. Another 40,000 mining jobs are threatened by British Coal's attempts to force through drastic changes in working practices.

● The world market price of coal is distorted by dumping. The FT International Coal Report provided evidence in its submission to the Commons Energy Committee that imported coal is sold in Britain at an average $10 per tonne below its production and transport costs. It is interesting to note that British Coal has had its revenue reduced since October 1979 by a similar amount, an average £6 per tonne, largely because of government pressure to cut prices to the electricity industry. A massive £500m annually is now transferred directly to the electricity industry and a further £140m annually will be transferred over the life of the CEGB-NCB Agreement. Let us be clear who is subsidising whom. This has inflated the CEGB's profits and been fed into government coffers via the CEGB's huge negative EFL of £1.3bn. At least Alex Henney recognises this.

● If the CEGB were to turn to imports the world price would rise overnight by at least $15 per tonne and added transport costs to move the coal to inland power stations would make it much more expensive than UK coal. The balance of payments costs and the huge costs of further pit closures would make such a policy an economic nonsense.

● If opencast coal could be sold at £10 per tonne and still make a profit, as Redwood claims then British Coal must be understating their opencast profits by £300m annually.

Let us be clear what a privatised coal industry would mean. It would create superprofits for city financiers and energy multinationals by dismantling existing pit safety and environmental regulations and by reducing the coal industry to a rump of highly automated superpit complexes mainly in the central coalfield. British Coal is already pressurising the Health and Safety Executive to deregulate existing safety legislation and trying to introduce safety (mal)-practices from US private mines where the fatal accident rate is four times our own.

P. E. Heathfield,
*Secretary, National Union of Mineworkers, St James House, Vicar Lane, Sheffield.*

## Pension law complexities

*From Mr D. T. Hall*

Sir,—How right Mr Wynne-Griffith is (April 21) to draw attention to the real culprits who have made such a mess of pension legislation. I am not an actuary (does that mean I'm an ordinary man since I'm certainly not a politician!) but as a benefit consultant, I share his despair. I'm often told that so much complicated legislation must be good for business in view of the fees which I can charge to clear a way through the morass. But what makes your leader writer believe that this is what Mr Wynne-Griffith, myself and other professionals want to spend our time doing?

A great deal still needs to be done to develop good employee benefits packages and ensure that those employees not provided for satisfactorily see an improvement in their position. This is the constructive work which we should be doing, not juggling around with ever more complicated legislation, which at the end of the day will benefit very few, apart from high commission earners on the personal pensions sales front, and will adversely affect many.

There are now no less than 12 Acts of Parliament (and a host of complicated and often ambigious regulations) with which pension schemes have to comply. None of those Acts was either wished for or invented by actuaries or benefit consultants. They are without exception the brainchilds of numerous chancellors, ministers and, at their coat tails, civil servants. What is more, none of the Acts replaces what went before—each one simply adds a new layer of complexity.

Need I say more.

D. T. Hall
Chief Executive, Marketing,
*Stewart Wrightson Benefit Consultancy Limited, Kingston Bridge House, Kingston upon Thames, Surrey.*

## Influence of Ericsson talent

*From Mr A. C. Coates*

Sir,—Your article on the Ericsson/CGCT deal (Inspired commercial politics, April 24 states that the decision had politics written all over it. You then go on to pay tribute to Ericsson's talent in the very fair remainder of the article. I think this may have had more influence on the decision than you concede.

It ill behoves the American lobby to cry "shame" when an American company became a shareholder in the much larger IT & T/CGE deal, which effectively transferred Digital Electronic Switching from America to France.

There are at least five front-runners in this field, where development costs are very high and a very high level of sales is necessary to absorb them.

Arthur C. Coates.
*486 Skipton Road, Utley, Keighley, W. Yorks*

## Realpolitik and nuclear arms

*From Mr R. McManus*

Sir,—The West has got itself into a ludicrous posture on nuclear disarmament. Surely no one could seriously dispute that a multilateral reduction in nuclear arms is a good thing. Yet the West is inhibited because this would expose the disparity in conventional forces. Ought not our response to be an appeal to pragmatism and realpolitik.

We should offer to go along with the Russians on nuclear arms in return for a negotiable reduction in Russian conventional forces. This would suit us and help their economy. Obviously the quantitative reduction would have to be negotiable. But it would require acceptance by the Russians of the basic principle which after all is in their economic interest.

If they decline to treat, we might at least salvage something from the propaganda struggle, which frankly at the moment we are losing hands down.

Richard McManus.
*44 Upham Park Road, Chiswick.*

## Unfair to Mongolia

*From Dr H. A. Shearring*

Sir,—Mr Lewis Carter-Jones, MP (Letters, April 24) wants to exile Treasury mandarins to Outer Mongolia from where he believes they could no longer harm the British economy. This is unjust: what harm has Outer Mongolia ever done to Britain?

Worse, it might not work. Incited by Satan, idle mandarin hands might turn to meddling by electronic mail. And they might come back!

Better to give the mandarins a crash course in Japanese, and then pressurise Japan into employing them in the Ministry of International Trade and Industry. This would sabotage Japan's exports and also hamstring the Fifth Generation computers project.

Meanwhile Mr Carter-Jones could devote all his powers to becoming Home Secretary. He could then prevent the mandarins' return on the perfectly valid ground that their presence would not be conducive to the public interest.

Dr H. A. Shearring.
*Imodi Ltd, Douglas, Isle of Man.*

## Mandarins triumphant

Sir,—The mandarins certainly won against "backbenchers" in the nuclear power game recently.

An almost "totally British" reactor, called the AGR which UK private industry (mostly north of Watford) has learnt to build four units at a time has been abandoned in favour of an international hybrid called a PWR to be built one at a time by a nationalised industry. A fall off in national productivity of four to one.

Come on backbenchers! Try harder! If you get another chance!

R. V. Ingham.
*29 Woodlands Crescent, High Legh, Knutsford, Cheshire*


## TV's quest for reality

*From Mr P. Wing*

Sir,—Your television critic, Christopher Dunkley, has had occasion to comment in the past on the controversy surrounding the impact of television on mass audiences.

On the same subject on Tuesday evening April 21, Anna Ford chaired a discussion programme which included representatives from both the BBC and ITV plus an audience which included some journalists. The subject for discussion also covered intrusion into privacy.

If the attitude of those taking part is representative of audiences as a whole I feel sorry for Mr Dunkley. In future, all his viewing is likely to be "as the world really is" in the words of one participant, ie: violent, bloody, callous, pornographic and generally unpleasant. I seem to remember that the cinema in its heyday was regarded as an escape from reality. On the small screen I personally do not need to switch on to know that large parts of the world stink.

The programme made very clear that declining standards in the media will continue because the experts think the quest for reality is more important than any moral or ethical standards. Is it not odd that we are required to wear seatbelts, requested not to smoke or drink alcohol, and to get plenty of exercise, all of which are physical safeguards, yet our sensibilities can go to perdition in the cause of reality?

Whatever they may say I am not at all surprised that increased television viewing to go hand in hand with steeply rising crime rates and general lack of compassion for our fellow man. Any participants in war will tell you that the sight of the first few mutilated bodies is always the worse. After that the mind switches off. Should we not switch our sets off instead?

Peter Wing.
*13 Sunset Avenue, Woodford Green, Essex*

## Gold bugs in the first class

*From Mr M. Summers*

Sir,—In Bugs in the System by Lex (April 21), the scene painted from the fence seems at first as impressionistic as a Van Gogh. However, by the end of the article a reader may *be left with the feeling that* rather more dark or lurid colours have somehow been splashed about the gold bugs than about other items on view.

An interest in gold seems to be connected with neurosis, panics and giving assistance to the forces of darkness, such as South Africa and Russia (why not to Australia and North America?) Whereas those rational people, who can make such rational if not especially acute observations that gold produces no income, are clearly on the side of the angels.

There is one observation that seems close to an unambiguous assertion of a fact, and that relates to the likely price performance of gold in the event of a deflationary collapse of the paper markets. The last time there was such a collapse, in the early 1930s, gold rose in a spectacular fashion. Against a falling price level in both the UK and US, gold doubled in value from 85 shillings per oz in September 1931 to a sustained peak of 166 shillings per oz by early 1934. In the US it rose 70 per cent in US dollars in the year to March 1934.

Whatever else gold bugs have to fear it is most unlikely to be a fall in the price. The only question that seems really worth examining is how high the price is likely to go. The international and domestic debt structure and slowing economies suggest that gold bugs, far from having to exist on rotting wood in the bilge, have an open season in the woodwork in the first class section.

Michael Summers.
*5 Addison Grove, Chiswick W4*

## Overseas aid and trade

*From Mr J. D. Stuart-Brown*

Sir,—While your article on aid and trade (April 10) inevitably focuses on the lead project company (in this case Hawker Siddeley), the value of large overseas contracts to small companies should not be overlooked.

Many small firms have neither the resource nor the administrative know-how even to begin an export campaign, nevertheless they are able to send British manufactured goods abroad on the back of a large project.

The pity is that the orders that spin-off from such projects, while a welcome windfall for many small companies, are getting fewer and farther between. This, we are told by the major contractors, is due to their difficulty in extracting government aid to help them win the business.

Let us hope that your article may go some way to remedy this situation. If not, much of the growth potential of many small firms will be lost.

J. D. Stuart-Brown LLB.
*92, Richmond Park Road, Charminster, Bournemouth, Dorset.*

## Shareholders of the world unite

*From Mr J. P. Charkham*

Sir,—Lord Erroll's article about *non*-executive directors (April 8) carried the title, Beware the facile panacea. As it happens it was followed exactly a fortnight later by the launching of the PRO NED Code, a succinct document strongly supported by the Stock Exchange, CBI and indeed all PRO NED's sponsors.

A word about panaceas is therefore timely. Panaceas have never existed either in the literal sense of medicinal cure-all nor in any other sphere and it is no use seeking them. It may be good debating technique to take proposals for modest progress, ascribe to them extravagant claims that were never made and then brush them aside because they are not panaceas. But it is unhelpful and destructive.

A survey of corporate structure in the Western world would show that success or failure is not inevitably linked to a particular model. Companies have prospered and declined, failed or succeeded with unitary boards or two-tier boards: with the duties of chairman and chief executive in the same hands or separated; with or without non-executive directors. There are no panaceas. The question is whether over time some models seem on balance to have characteristics which are more helpful than others.

The UK is alone in the major industrial countries of the Western world in the limited degree to which the executive management of companies is accountable.

Many companies already follow all or most of the clauses of the PRO NED Code. Some will not wish to do so because they will argue they are sufficiently well directed already: others will oppose it because management does not want more accountability.

Accountability does not ensure success: but lack of it makes decline harder to arrest. In the short term almost anything goes; such is human adaptability. In the longer term even the greatest business genius falters, though he may not admit it and colleagues dare not act. Reading the Stock Exchange year book of 1962 or even 1972 is like a tour of a corporate valhalla.

The PRO NED Code represents progress not a panacea, in a direction which general experience (supported by the limited academic research available) indicates will be helpful. It places much *emphasis* on the positive role of non-executive directors and quite right too.

It is a poor argument to say that the right people are not available or may not be chosen. The UK is not short of talent —PRO NED will confirm that. Maintaining the quality of the board, even with the right structure, is a far more difficult question and it has not yet been answered satisfactorily here or in the US: hence some takeovers. But there is another solution, based on existing powers, "Shareholders of the world unite—you have nothing to lose but your losses."

Jonathan Charkham,
Chief Adviser, Bank of England.
*Threadneedle Street, EC2.*

# Extending the radical road

By Peter Riddell, Political Editor

MRS THATCHER has recently been telling political allies that she has three priorities for her third term — education, housing and wider ownership. All the signs are that the Conservative manifesto, now in an advanced state of preparation, will take the radical thrust of Thatcherism into social policy areas such as education and housing.


● **Privatisation of most of rest of state-owned industry, including electricity, British Steel, water authorities, Post Office and injection of private capital into parts of British Rail and British Coal.**

● **Further instalment of trade union legislation to protect union members against both closed shop and disciplinary action for those ignoring strike calls.**

● **Abolition of domestic rates in England and Wales and replacement by community charge, or per head levy paid by all adults. Also national unified business rate and new system of local grants.**

● **National core curriculum in schools, financial responsibility for governors and headteachers of secondary and large primary schools, possibly right of schools to opt for central rather than local control, and transfer of polytechnics from councils to Whitehall.**

● **A large expansion in number, and scope, of urban development corporations, taking planning controls away from councils.**

● **Revival of private rented sector through gradual decontrol of new lettings and register of landlords. Council tenants to be given right to vote for transfer from council ownership to private trusts and housing associations.**

Manifestos tend to be dismissed as of no real importance, read only by commentators and academics. But they provide a focus for the thinking of ministers, particularly when a party has been in power for some time.

There is now a deliberate attempt to avoid what happened at the 1983 election. Then, the manifesto was widely seen as a remarkably thin document, complacent about a virtually certain Tory victory.

One result was that little thought was given by ministers to post-election measures. The long 1983-84 season, just the time for enacting major controversial measures, was largely wasted, notably with the repetition of bills dropped at the election.

This time it is different. There is a general recognition by Tory leaders that a third term will have to be justified, to counter the charge of "time for a change." Indeed, it is now clear that a turning point for the Conservatives came late last summer when preparatory work began on the manifesto. This was after a long period when the Government appeared to be running out of steam and had been running into trouble over the Westland and Land Rover affairs.

Eleven policy groups were set up to cover major policy areas and themes such as "the world of work" and "the young." Each was chaired by a Cabinet minister and involved ministers, backbenchers and sympathetic experts. The high-powered nature of the exercise contrasts with before 1983 when nine groups, involving backbenchers rather than ministers, made little impact on the manifesto.

The main significance of the current groups may lay less in their specific proposals than, in the words of one senior minister, "in concentrating minds on the election" and away from day-to-day Whitehall preoccupations. The theme of last October's Tory conference, "the next move forward," was not just a slogan. It reflected an undercurrent of fresh thinking among ministers which was reinforced by the existence of the policy groups.

The title of the new manifesto is likely to be a variant of "the people's choice" or "power to the people," stressing the interests of consumers. In part, this turns on changes in Conservative priorities.

Macro-economic questions are now regarded as less dominant than in the early 1980s. This is despite an unemployment total which, while declining, is still around 3m. Ministers argue that the answer lies not in general expansion but in specific measures to improve the workings of the labour market.

Hence, Tory strategists believe that the priority has now shifted to longer-term social questions. This partly reflects a growing sense of ministerial frustration that the education and housing systems are not working and that radical changes are needed.

The Tories' answer is to challenge post-war assumptions abou social provision by local authorities. In housing, council tenants will be given a right to vote themselves out of municipal ownership and to transfer to non-profit making trusts or housing associations financed by building societies and other financial institutions.

In education, Mr Kenneth Baker, the Education Secretary, has already unveiled the new City Technology Colleges, backed by the orivate sector, to be established alongside local authority run schools in big cities. But the manifesto will go further in proposing a national core curriculum of subjects, greater financial control of individual schools by governors and headteachers and possibly, though not definitely, a right for schools to opt out of local authority control and receive money directly from Whitehall (in effect a return to direct grant status).

Both the housing and education proposals are aimed at undermining the position of local authorities, now mainly Labour controlled in the large towns and cities. Similarly, the suggested nationally-set business rate would circumscribe *the financial freedom of many* urban authorities. The Government is also considering an extension of urban development corporations away from areas of dereliction, like London docklands, to include areas of existing housing and industrial development. The UDCs would replace local councils as the planning authority.

The aim of these measures is to create an environment favourable to business and regeneration but the overall effect would be to leave local councils merely with residual statutory responsibilities for services.

Ironically, the missing feature of this social agenda is the main department concerned —the Department of Health and Social Security—where there is no obvious radical programme. The social security reviews initiated by Mr Norman Fowler, the Social Services Secretary, three years ago produced protests but did not alter the fundamental basis of entitlements to social benefits—and there is no sign of a repeat exercise.

Similarly, public support for the National Health Service has defeated any radical challenge, so the main objective here will be greater co-operation between the public and private sectors rather than a major shift to private health insurance.

The third leg of Mrs Thatcher's priorities—wider ownership—is likely to be achieved by extending the spread of house and share ownership (building on the personal equity plans by offering more fiscal incentives), through profits-related pay and more privatisation.

The list of privatisation candidates covers most of the rest of state-owned industry, and many Tory policymakers agree that the emphasis should be shifted more towards competition, particularly in relation to electricity and coal. As one adviser put it, there should be "no more Dennis Rookes"—a reference to the British Gas chairman's successful fight to preserve his corporation intact. In practice, the battle over the form of privatisation is likely to be intense.

Overall, the agenda for the third term represents a further deliberate attempt by the Tories to undermine the main pillars of the labour movement —municipal management of large housing estates, local authority control over education, big monopoly public utilities and public sector trade unions.

The Labour Party may, therefore, be not too wide of the mark when later this morning, in unveiling its alleged "real" Tory manifesto, it claims that the traditional assumptions of post-war social policy will be challenged. No doubt ministers will quickly dismiss many of Labour's detailed allegations, but the radical thrust is clear as part of Mrs Thatcher's campaign to eliminate socialism.

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**Andrew Whitley in Jerusalem on reactions to the recent PLO meeting in Algiers**

# Israel foresees Arafat's downfall

CONSIDERING Israel's oft-proclaimed disdain for Mr Yassir Arafat and the Palestine Liberation Organisation (PLO), the deliberations of the 18th meeting of the Palestine National Council (PNC), which has just concluded in Algiers, were watched here with obsessively close interest. With the Middle East at what one official described yesterday "a very delicate stage," a great deal, hung on the outcome of the PNC, the PLO's parliament in exile.

If the PLO were, as Israel not-so-secretly hoped, to unite around a radical platform which would limit Mr Arafat's freedom of manoeuvre, it would effectively deal itself out of the game, Israeli analysts argued. The growing clan of Arab states disenchanted with the wily PLO chief, would be pushed further towards ridding themselves once and for all of him, the argument went. The Palestinians living under Israeli rule would then finally be forced to decide into which camp they should throw their lot.

From this, perhaps optimistic, perspective, Israel has greeted the hardline resolutions adopted in Algiers with unalloyed satisfaction at having been proved right.

The PNC approved a resolution in effect demanding Cairo's abandonment of the 1978 Camp David accord leading to the peace treaty with Israel, theoretically banning PLO contact with Egypt. The council also abrogated an accord signed by Mr Arafat and Jordan's King Hussein in 1985 in which the two men agreed to co-ordinate peace efforts.

"This reaffirms what Israel said long ago, that the PLO – with or without Arafat – cannot be party to peaceful negotiations," a foreign ministry spokesman said.

And, in the unlikely event that the meeting in the next few days between King Hussein and Egypt's President Hosni Mubarak decides to dump the PLO, Israel's joy will know no bounds. "They must realise now that it (including the PLO in the peace process) doesn't work," an official said yesterday.

Significantly, the same official added that Israel had received word from Cairo and Amman that both wished to persist with current diplomatic moves towards an international conference on the Middle East, the outcome of the PNC notwithstanding.

Without wishing too publicly to anticipate the outcome of what is being billed here as an event of major importance for the peace process, the high hopes at least some Israeli quarters are pinning on the forthcoming Hussein / Mubarak meeting are evident.

But for Israel there may well be another important bonus from the Palestinians' closing of their ranks; the entry into the peace process of Mr Hafez Assad, the Syrian President and implacable foe of the Jewish state.

Agreement on other Arab countries entering the peace process had never been so close, Mr Shimon Peres, Israel's Foreign Minister, said confidently over the weekend to the prestigious US Council of Foreign Affairs. He did not go into details, but what may lie behind his optimism are the signals the Israeli Government has been receiving latterly from Damascus via the Americans.

These are said to confirm the message first brought to Jerusalem last month by former US President Mr Jimmy Carter that, under pressure from Moscow, Syria also says it would like to take part in an international peace conference – if one ever takes place.

Reaction to the PNC from Israel's West Bank and Gaza Strip has, meanwhile, been predictable. Known pro-Hussein loyalists such as Mr Elias Freij, Mayor of Bethlehem and Mr Gazan Magnate Rashed A-Shawwa yesterday denounced the council's resolutions as a "victory for the minority over the majority," while the East Jerusalem daily An Nahar said the PLO would now have to decide whether to opt for a political or a military course of action.

Israel has tried to write off Mr Arafat many times in the past. It thought after the PLO's expulsion from Beirut in 1982, under the guns of the Israeli army, that he was finished. Now he is back, seemingly as confident as ever in his mastery of a divided house.

Mr Yasser Arafat: master of a divided house

**EGYPT, angered by a hostile resolution at a meeting of the Palestinian movement in Algiers, has ordered the closure of all Palestine Liberation Organisation offices in Cairo, writes Tony Walker in Cairo.**

**Dr Esmat Abdel Meguid, Egypt's Foreign Minister, said yesterday that "Egypt has to put an end to this insolence...and decided to close all PLO offices and institutions in Egypt."**

**The Palestine National Council approved a resolution on Sunday which condemned Egypt's 1979 peace treaty with Israel.**

**Cairo had warned that it would not tolerate interference in its internal affairs and had withdrawn its guest delegation from Algiers before the resolution was adopted.**

**The closure of the PLO offices will be a blow to Mr Yasser Arafat, the PLO chairman, who had cultivated close relations with Egypt since his 1983 ousting from Lebanon at the hands of Syrian-backed rebels of his own Fatah mainstream.**

**Mr Arafat had looked to Egypt, the predominant Arab military power, for support against his enemies in Damascus and elsewhere in the Arab world.**

# World Bank warns of tougher line on Third World debt

By Max Wilkinson in London

THE WORLD BANK yesterday hinted strongly that it would take a tougher stand on the need for Third World countries to adopt policies for conserving their environments when it negotiated future aid packages.

Mr Shahid Husain, vice president of operations policy at the World Bank, was commenting on the 380-page report of the World Commission on Environment and Development launched in London yesterday.

He welcomed the report's recommendation that measures to care for the environment should be an integral part of Third World development projects and promised that the bank would make a systematic effort to do this.

He added: "We will also add a new dimension by helping to integrate national resources management in the overall policies for economic development."

Mr Husain's comment reflects increasing anxiety in the World Bank that fiscal and monetary policies in many developing countries are encouraging the destruction of forests, over-farming, which turns land into deserts, and other long-term damage.

In a recent report to ministers on its policymaking development committee, the bank said: "Many direct government subsidies are unsound in both environmental and economic terms. They add to a country's fiscal burden, encourage the wasteful use of scarce resources and frequently benefit the larger landowners."

In a group of nine developing countries, for example, the bank found the average state subsidy for pesticides was 44 per cent of the retail price. This had encouraged excessive use of pesticides, had poisoned fish, fostered the growth of resistant strains of mosquitoes and led to a resurgence of malaria. The net economic benefit was therefore small and could even have been negative.

The bank is also worried about the effect of inappropriate subsidies for tree felling.

Many of the World Bank's sponsors in richer countries believe that strict general conditions should be attached to loans and aid designed to get rid of mistaken economic and environmental policies.

However, developing countries have bitterly opposed any extension of the "conditionality" which the bank's sister organisation, the International Monetary Fund, imposes on countries when it helps them out of balance of payments difficulties.

## THE LEX COLUMN

# Seven men in a boat

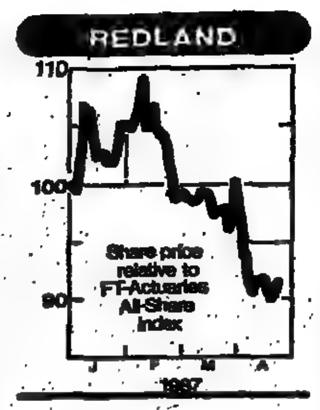
Imagine the cartoon: a leaky gondola, labelled "dollar" and occupied by the finance ministers of the leading industrial nations, is on the verge of sinking. In the distance the domes of San Marco are shrouded in mist, and the men in the boat are fighting over the paddle. It now looks unlikely that the dollar can hold up until the Venice summit in June without some change of policy somewhere. Frequent statements from US officials that they do not want to see the dollar any lower are having less and less effect on the currency markets, and concerted intervention from the central banks fares no better. Even the Japanese stock market can no longer pretend that all is well.

The obvious move would be for the US to raise its interest rates while others reduced theirs. The UK experience of currency-crisis management argues that only a decisive widening of yield differentials is enough to work. A half percentage point rise in US rates might just tide the bond market over next week's auctions, especially if Mr Nakasone agrees to cut the Japanese discount rate on his return from Washington. But any move on the US discount rate would prove politically difficult for an administration elected by a consumerist country and concerned about its banking system as well as the problems of the Third World. And the interest of Japanese buyers of US bonds is now largely confined to borrowing short and buying long to play the yield curve. A sharp rise in the US discount rate would spoil that game.

### Redland/Monier

With the sterling value of Redland's growing US earnings falling by the minute, the prospect of a higher return from the Australian assets must be welcome. Assuming the smooth passage of CSR's offer for the 50.1 per cent of Monier that Redland does not own, that, at least, should be in the bag. Indeed such a joint venture may turn out to be rather more than second-best to Redland's original plan of buying up the outstanding shares itself. CSR will be ambitious partners and will take Redland into several new areas such as cement and plasterboard; the Monier joint venture may be the first of many.

The price of A$3.50 a share – which values Redland's holding at £120m – is well above anything Redland itself could have afforded (especially given the wide-spread belief that Genstar was expensive) so shareholders should be reasonably happy. Redland will not want the dominant role in the venture but, rumours of a US carve-up with CSR notwithstanding, is strongly committed to the Australian market. The only party that appears likely to lose out from a deal is the current Monier management.




### Tesco/Hillards

The past few days of the Tesco campaign to buy Hillards have been reminiscent of the way things used to happen before everyone got frightened by the Guinness fall-out: inspired reports of an increased offer of 350p in the Sunday press, followed the next day by the real thing, only even better, at 355p.

Taking Hillards's expensive forecast of £15m for the year to May 1988 at face value, the increased offer of 19.5 times those earnings will not dilute Tesco shareholders. This is in part a testament to the efficiencies of merging the two operations, which suggests that Tesco has even been a bit cheese-paring with its final offer, which is based not so much on the true value of Hillards to Tesco, but on the level at which Tesco thinks institutional fidelity will crack.

There is a theory that the institutions no longer like to reveal such disloyalty publicly, and so are more inclined to sell in the market than accept an offer. But with disclosure now required of holders of only 1 per cent, anonymity is not so easy, and Tesco picked up less than 2 per cent yesterday. Shareholders may be waiting to exchange for Tesco paper; but the Hillards closing price of 345p – 10p adrift of the paper offer – suggests that their wait will be an anxious one.

### Inchcape

Rather like the yokel who said that he wouldn't start his journey from here, few managements would choose Inchcape as the base for creating the ideal conglomerate. Even after a programme of rationalisation, the trading group is left with ten "core" sectors, split, like the Football League, into first and second divisions, presumably including the prospect of promotion and relegation.

Undoubtedly top of the first division is automotive, which contributes around three-fifths of profits and £30.6m of last year's £40m turnround; now that the "nasties" have been eliminated from Malaysia, these earnings should be somewhat more stable.

What distinguishes the rest of the "inner core" group, alphabetical order apart, from the outer rind of the business is hard to tell. Buying offices and marketing & distribution which are in the first and second divisions respectively seem rather more obvious bedfellows than, say, the top-ranked insurance broking and business machines.

But at least the structure is becoming more sensible than it was and the markets, buoyed by gratitude for the first dividend increase in seven years, marked the shares up 33p to 639p. Further loss elimination and a more efficient use of tax losses should leave plenty of scope for earnings improvement this year, and despite the threat which the strong pound obviously poses, a prospective p/e of under 10 does not look over-optimistic.

### Rolls-Royce

The Government's confidence in Rolls-Royce (as in the markets) is considerable, to go by the 170p flotation price. Only Rolls' heritage of losses, now coming through as a low tax charge, disguises the implicit premium over British Aerospace, and the rather stiff down payment on the shares (50 per cent) offers surprisingly little leverage to the opportunistic investor.

# Bonn expects budget deficit of DM 28bn

BY DAVID MARSH IN BONN

WEST GERMANY's federal budget deficit is likely to grow next year to DM 28bn ($15.6bn) from the DM 22.3bn programmed for this year as a result of tax cuts due to come into effect next January, according to preliminary figures from the Finance Ministry.

The projected increase in government borrowing underlines an uncomfortable dilemma for Mr Gerhard Stoltenberg, the Finance Minister, as he tries to adjust to the consequences of this year's slowdown in economic growth.

The forecast rise in the federal deficit next year – and increases in borrowing by the other important parts of the public sector, the states and local authorities – was revealed by Mr Friedrich Voss, parliamentary state secretary at the Finance Ministry.

One reason for making the projection public seems to have been the Finance Ministry's wish to ward off political pressure for further subsidies in areas such as coal and agriculture.

The first round of talks is now taking place within the Government on next year's budget spending plans, which are scheduled to be agreed formally by the Cabinet around the end of June.

However, Mr Stoltenberg is also clearly laying himself open to criticism from within the centre-right coalition that he is endangering budgetary stability because of the decision, taken in February, to increase next January's programmed tax cuts by more than DM 5bn to DM 13.7bn.

Ironically, the West German Government is also likely to come under increasing pressure from abroad during the summer to take further budgetary action to stimulate growth.

This follows a downward revision of this year's growth prospects by the main West German economic forecasters. The economy is now expected to grow by 2 per cent at most this year, compared with confident predictions of 3 per cent made six months ago.

The projections released by Mr Voss may turn out to underestimate both this year's and next year's deficits. They do not take account of stagnating tax revenues caused both by lower growth and lower inflation compared with forecasts last year.

A formal analysis of this year's total tax intake for the federal, state and local governments, to be made next month, is likely to result in a sharp downward revision. The opposition Social Democratic Party (SPD) claims that the federal Government stands to lose DM 5bn this year because of the sluggish economy.

Another source of budgetary problems is the fall in income siphoned off from the profits of the Bundesbank, the central bank. This is already projected to drop from DM 12.7bn received last year to DM 7bn this year.

But government officials admit that profits from the Bundesbank, caused in recent years by the strength of the dollar, could ebb away altogether if the dollar's fall continues.

The Bundesbank itself has already sounded a note of warning about increasing government borrowing.

In its monthly report for April, released last week, the Bundesbank underlined the limits of the Government's efforts at consolidating state finances since it took power in October 1982.

Total debts of the federal Government rose to DM 415bn at the end of last year from DM 341bn at end-1983 and DM 200bn at end-1979.

Over the period, the debts of the public authorities – including state and local governments, which have been borrowing heavily in recent years – rose to DM 802bn at the end of last year from DM 572bn in 1983 and DM 414bn in 1979.

# Ferry owner criticised by inquiry

Continued from Page 1

of the two sets of bow doors was not watertight.

Mr Steel said Townsend had issued instructions only hours after the disaster for the bow doors of all its ships to be checked, and had implemented several other safety measures since, including warning lights and closed circuit television.

But he said the inquiry would have to look at a number of options for changes in the future design of roll-on-roll-off ferries.

These included transverse bulkheads to prevent the inflow of water; longitudinal bulkheads to provide a safety space between the hull and the vehicle deck; improved drainage to dispose of water once it entered the ship; and separation of passenger and commercial vehicles.

Mr Steel acknowledged, however, that the inquiry would also wish to consider the effects of tighter safety requirements on the viability of running vehicle ferries, which could be adversely affected.

# Eurotunnel in bid to resolve tariffs row with rail chiefs

BY ANDREW TAYLOR IN LONDON

EUROTUNNEL, the Anglo-French channel tunnel consortium, is to have further meetings in Paris this week with British Rail and SNCF, the UK and French state-owned railways, to try to resolve the conflict over how much the railways will pay for using the tunnel.

The talks are likely to be followed up with a review meeting next Tuesday between the boards of the two railway companies and Eurotunnel's British and French joint chairmen, Mr Alastair Morton and Mr André Bernard.

Talks in London yesterday involving the two railway boards and their chairmen had made progress, Eurotunnel said.

Eurotunnel has warned that £5bn ($8.15bn) of loans and standby credit agreements with about 40 international banks would fall through and the project would fail unless agreement was reached quickly.

The consortium withdrew its deadline yesterday for reaching an agreement by May 1 although it said the matter was still urgent.

British Rail, whose chairman, Sir Robert Reid, attended yesterday's meeting, welcomed the decision to withdraw the deadline.

At issue is how much Eurotunnel expects the railways to pay for using the tunnel and how much of this sum should be paid in advance.

The railways had expected to contribute about 35 per cent of Eurotunnel's revenue for using up to 50 per cent of the tunnel's rail capacity.

Mr Morton, who earlier this year took over the British chairmanship of the tunnel consortium from Lord Pennock following a series of controversial boardroom departures, believes the railways should make a higher contribution.

He also wants the railways to pay up to 80 per cent of the tariffs in advance.

Eurotunnel believes the negotiations are crucial to the successful financing of the £4.7bn project. An improved deal with the railways would enhance the prospects for the syndication of the loan package which is due to be undertaken by the banks once the main loan agreement is signed.

It would also improve the prospects for Eurotunnel's £700m international share sale which, under the terms of the loan agreement, must succeed if the project is to go ahead.

Mr Morton who has been accused by the state-owned railways of conducting a dangerous game of brinkmanship, appears determined to use the issue as a show of strength of Eurotunnel's management following the board changes earlier this year.

He has placed BR and SNCF in a difficult position. They will be blamed for jeopardising the project. If they fail to make concessions. Eurotunnel, on the other hand, will seize on any improvement in the agreement with the railways as evidence of its toughness and ability to deliver the goods.

# Yen's rise hits Tokyo stocks

Continued from Page 1

buy between 40 to 60 per cent of US government securities, but many people fear that buying will now retreat, causing further weakness of the dollar against the yen.

"This isn't the high yen any more, it's the weak dollar. European currencies are now going up against the dollar. Co-ordinated intervention is not enough to stop the dollar's slide," Mr Kirozumi Tanaka, chief of International Treasury Funds at the Dai-ichi Kangyo Bank, said in Tokyo yesterday.

Mr Tanaka said the US should consider postponing the Treasury auction or reducing its amount from $29bn to $20bn. "Otherwise we will see the free-fall of the dollar," he said.

Others, however, said that Japan's leading securities houses would take up all the US bonds on offer next week, selling them on to Japanese institutions. The worry, however, is that these bonds in turn will be sold by institutions if the dollar falls any further.

Meanwhile, Tokyo stockbrokers were not overly concerned about yesterday's large drop in stock exchange prices. The problem, they said, was one of low volume and lack of buying interest, as opposed to heavy selling. Some now see a correction as large as 10 per cent, but forecast a rebound as institutions continue to sell US securities in favour of domestic investment.

On the foreign exchange markets, the dollar closed in London at Y138.35, above its earlier lows but well below last Friday's Y139.70. Against the D-Mark, the US currency eased to DM 1.7820 from DM 1.7818.

Stefan Wagstyl writes: Precious metal prices soared in frenzied trading as the dollar fell, before plunging in heavy profit-taking soon after the New York markets opened. The White House statement on trade prompted investors to pull back from precious metals.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 17 | 63 | Dubrovnik | S | 17 | 63 | Malta | F | 22 | 72 | Rhodes | F | 18 | 64 |
| Algiers | S | 32 | 90 | Edinburgh | S | 21 | 70 | Manchester | S | 20 | 68 | Rio de J'o | – | — | — |
| Amsterdam | S | 18 | 64 | Faro | S | 19 | 66 | Manila | — | — | — | Rome | F | 18 | 64 |
| Athens | S | 20 | 68 | Florence | C | 18 | 64 | Melbourne | S | 27 | 81 | Salzburg | C | 11 | 52 |
| Bahrain | – | — | — | Frankfurt | F | 17 | 63 | Mexico City | – | — | — | San Francisco | S | 9 | 48 |
| Bangkok | – | — | — | Funchal | F | 19 | 66 | Miami | F | 18 | 64 | Seoul | S | 17 | 63 |
| Barcelona | S | 23 | 73 | Geneva | S | 19 | 66 | Milan | S | 20 | 68 | Singapore | F | 28 | 82 |
| Beirut | – | — | — | Gibraltar | S | 22 | 72 | Montreal | S | 8 | 46 | Stockholm | F | 11 | 52 |
| Belfast | S | 19 | 66 | Glasgow | S | 18 | 64 | Moscow | C | 4 | 39 | Strasbourg | F | 17 | 63 |
| Belgrade | S | 13 | 55 | Guernsey | S | 17 | 63 | Munich | F | 14 | 57 | Sydney | S | 25 | 77 |
| Berlin | S | 10 | 50 | Helsinki | F | 10 | 50 | Nairobi | F | 27 | 81 | Taipei | – | — | — |
| Biarritz | S | 25 | 77 | H. Kong | C | 22 | 72 | Naples | F | 20 | 68 | Tangier | F | 21 | 70 |
| Bombay | S | 31 | 88 | Innsbruck | S | 11 | 52 | Nassau | – | — | — | Tel Aviv | – | — | — |
| Bordeaux | S | 23 | 73 | Inverness | S | 20 | 68 | New Delhi | S | 33 | 91 | Tenerife | S | 23 | 73 |
| Brussels | S | 19 | 66 | Islamabad | – | — | — | New York | S | 8 | 46 | Tokyo | S | 15 | 59 |
| Budapest | F | 12 | 54 | Istanbul | – | — | — | Nice | S | 17 | 63 | Toronto | S | 5 | 41 |
| B. Aires | – | — | — | Jakarta | – | — | — | Nicosia | – | — | — | Tunis | S | 21 | 70 |
| Cairo | S | 23 | 73 | Jersey | S | 19 | 66 | Oporto | C | 17 | 63 | Valencia | F | 21 | 70 |
| Cape Town | C | 21 | 70 | Jo'burg | Th | 21 | 70 | Oslo | F | 6 | 43 | Venice | F | 16 | 61 |
| Caracas | – | — | — | Lima | – | — | — | Paris | S | 21 | 70 | Vienna | S | 11 | 52 |
| Casablanca | F | 22 | 72 | Lisbon | F | 20 | 68 | Peking | S | 22 | 72 | Warsaw | C | 8 | 46 |
| Chicago | S | 12 | 54 | London | C | 18 | 64 | Prague | S | 11 | 52 | Washington | S | 9 | 48 |
| Cologne | F | 18 | 64 | Los Angeles | C | 15 | 59 | Reykjavik | F | 2 | 36 | Zurich | S | 17 | 63 |
| Copenhagen | S | 11 | 52 | Luxembourg | S | 16 | 61 | | | | | | | | |
| Corfu | S | 19 | 66 | Madrid | S | 26 | 79 | | | | | | | | |
| Dallas | S | 13 | 55 | Majorca | S | 25 | 77 | | | | | | | | |
| Dublin | S | 18 | 64 | Malaga | S | 23 | 72 | | | | | | | | |

*Readings at mid-day yesterday:*
C-Cloudy D-Drizzle F-Fair Fg-Fog [illegible] R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Reagan attacks trade bill

Continued from Page 1

ing to take more decisive action in an attempt to restore fading confidence in the US dollar, Mr Reagan gave no hint of a shift in policy.

The White House again resorted to rhetoric to defend the dollar, repeating the Administration's view that "a further decline in the dollar could be counter-productive."

However, in his speech to the US Chamber of Commerce Mr Reagan stuck with the confrontational stance he has adopted towards Congress on the question of tackling the federal budget deficit, an issue widely seen as crucial to restoring confidence in US economic policy-making.

Blaming Capitol Hill for the budget deficit, he called on Congress to "get control of federal spending", rejected suggestions from Democratic congressmen that taxes should be raised as part of a compromise to tackle the deficit and asked Congress to give him the power to veto individual spending items.

With the House of Representatives scheduled to vote later this week on a clause in the Trade Bill which could require Mr Reagan to retaliate against countries like Japan with large trade surpluses which the US judges to be following unfair trade policies, Mr Reagan said that he hoped to remove the punitive tariffs imposed on Japanese goods over the semiconductor dispute.



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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday April 28 1987



# Chrysler reports 24% drop in first quarter

BY WILLIAM HALL IN NEW YORK

CHRYSLER, the third largest US car manufacturer, yesterday reported a 24.4 per cent drop in first-quarter net income to $269.7m.

The decline was in line with General Motors' performance in the first quarter. But Chrysler's shares fell sharply early yesterday following the announcement that the company had filed with the US Securities & Exchange Commission (SEC) for a secondary shelf offering to cover 450,000 shares, which Mr Lee Iacocca, the chairman might sell.

The filing covers 337,500 shares which Chrysler distributed to Mr Iacocca on November 3 under a previously announced agreement, as well as 112,500 shares he will be eligible to receive later this year under the same agreement.

Chrysler stressed that the filing merely allowed Mr Iacocca to sell the Chrysler stock if he wanted to and did not obligate him to sell. Chrysler shares, which were trading around $38 last week, fell $2⅞ to $34⅝ early yesterday.

Chrysler earned $1.24 a share in the first quarter, compared with $1.57 a share in the same period last year, although the group's sales rose 3.4 per cent to $6bn and its market share increased.

The 62-year-old Mr Iacocca, who earlier this year agreed to stay on as chairman and chief executive for another four years, said the latest earnings reflected the high cost of incentives and the production loss of high profit – margin vehicles while plants were being retooled.

"A few years ago those incentive wars would have blown us out of the water," he said. "Now, we can go toe-to-toe with anybody, and still make a solid profit."

"When I look at the position we're in today, I feel good about the future," said Mr Iacocca. "We're committed to keeping costs under control. That, plus improvements in the yen/dollar ratio, has enabled us to underprice much of the foreign competition."

Chrysler is continuing with its five-year, $12.5bn investment programme which has "let us launch the largest barrage of new products in our history – and to do so in state-of-the-art manufacturing facilities," he said.

Chrysler's worldwide factory sales in the first quarter rose from 566,771 units to 570,002 units, and the company increased its share of the North American car and truck market from 11.5 per cent to 12.1 per cent.

Chrysler bought back 2.3m shares in the first quarter as part of its continuing stock repurchase scheme designed to reduce the number of outstanding shares to 200m.

# Goodyear bounces back as world tyre demand improves

BY WILLIAM HALL IN NEW YORK

GOODYEAR, the world's biggest tyre manufacturer which lost money in two of its last four quarters, bounced back into profit in the first quarter of 1987 and earned $85m, or $1.19 a share, from continuing operations.

The latest earnings compare with a loss of $64m, or 59 cents a share, in the first quarter of 1986, which included a $110.8m writedown of the group's oil and gas reserves, together with a $107.8m loss in the fourth quarter, which included a $183.4m restructuring charge.

The group's final net income in the latest quarter totalled $284.2m, or $3.99 a share, which included a $195.3m after-tax gain from the sales of the Goodyear Aerospace and Motor Wheel subsidiaries.

Mr Robert Mercer, chairman, said that, if the writedown in last year's first quarter was excluded, operating earnings in the latest period were 82 per cent ahead. Increased demand for the company's tyres worldwide was a highlight of the quarter, with improvement also recorded in most other operations in the US and abroad. Sales rose 11.5 per cent to $2.3bn in the latest period.

"This solid performance reflects a dramatic improvement in earnings, as a result of long-term planning and investment in state-of-the-art manufacturing and research and development," said Mr Mercer. "Unfortunately, it is diluted by the higher interest expense our increased debt incurred as a result of the company's purchase of shares."

Goodyear's interest charges rose from $24.9m to $87m in the latest period, reflecting a $2.6bn plan to buy back almost half its shares in order to defeat a $5.3bn hostile takeover bid from Sir James Goldsmith, the Anglo-French financier.

Goodyear bought back Sir James' Goodyear shares at $52.50 a share and another 40.4m of its shares at $50 a share, reducing the number of outstanding shares to 56.8m at the end of March.

US operating income in the first quarter was $134.6m, compared with a loss of $145.1m a year ago. Sales rose 9 per cent to $109.9m, and sales increased 15.6 per cent to $902.9m. With the exception of Latin America, stronger results were recorded in all regions, with Europe leading the way.

Goodyear's shares slipped by $⅝ to $55⅝ in early trading yesterday.

# Oil sector drop hits Du Pont

BY RODERICK ORAM IN NEW YORK

DU PONT, the largest US chemicals group, has reported a 3 per cent dip in first-quarter results. A strong rise in chemical profits was negated by a sharp drop in oil and coal earnings.

Net income for the three months ended March 31 slipped to $391m, or $1.62 a share, from $404m, or $1.67, a year earlier. Sales were marginally lower at $7.12bn against $7.17bn while interest and other corporate expenses rose to $87m from $44m a year earlier.

Chemical and specialty products posted a 55 per cent rise in net operating profits to $393m partly reflecting improvements in fibres, white pigments and polymers. The main reasons behind the gains were a pick-up in demand worldwide, lower energy and feedstock prices, earlier restructuring and "aggressive efforts" to improve productivity.

Sales of chemical and specialty products rose 7 per cent to $4.2bn because of a 4 per cent increase in sales volume in the US and 6 per cent abroad, and a 30 per cent increase in average selling prices, reflecting the weaker dollar. Domestic prices were flat.

In contrast, net operating profits of the petroleum sector dropped 64 per cent in the quarter to $55m from $154m a year earlier because of lower profit margins on refined products and lower crude oil and natural gas prices. Coal earnings fell 27 per cent to $30m.

The company said it expected chemicals to continue to perform strongly while any improvement in the petroleum sector would depend on stable or higher crude prices and better margins for refined products.

# Insurance unit takes ITT higher

BY OUR NEW YORK STAFF

ITT, the diversified US industrial and services conglomerate, has turned in stronger first-quarter results than it expected, with an improvement in its insurance operations offsetting a downturn in manufacturing.

Net income, for the three months ended March 31, rose 54 per cent to $164m, or $1.07 a share, from $106m, or 70 cents, last year. Revenues grew 14 per cent to $4.6bn, from a restated $4bn the year before.

ITT's services operations were boosted by strong operating gains in the domestic casualty business and $26m of tax benefits for its Hartford insurance unit. Insurance and financial services revenues rose 13 per cent to $2.7bn.

The group said results of its industrial and defence businesses were below those of the year-earlier quarter, but above forecasts. Natural resources more than doubled earnings, compared with a year earlier, thanks to price and volume gains.

"Our overall results for the first quarter were substantially ahead of budget, and we are confident of continued improvement throughout the year in all our business segments," said Mr Rand Araskog, chairman and chief executive.

BANKS IN $654m STOCK SWAP

# Sovran to acquire Commerce Union

BY OUR NEW YORK STAFF

SOVRAN FINANCIAL Corporation, Virginia's biggest bank, is acquiring Commerce Union Corporation, the fourth largest Tennessee bank, in a $654m stock swap which will strengthen Sovran's position as one of the faster growing US "super-regional" banking groups.

Sovran, which at the end of 1986 had assets of $14.95bn and 357 offices, has signed a definitive agreement to acquire Commerce Union, based in Nashville, which operates the Planters Bank and Trust Company in Kentucky. Commerce Union has assets of $3.9bn and 105 offices.

Both groups earn over 1 per cent on their assets and have high returns on equity. The combined earnings of the two groups in 1986 was $188.1m.

Sovran Financial was itself the product of the 1983 merger of two Virginia banks: First & Merchants and Virginia National. The latest deal is its third interstate merger.

In March 1986 it merged with Suburban Bancorp, the fourth biggest Maryland bank, and with DC National Bancorp, parent of the sixth largest bank in Washington.

As the barriers to interstate banking crumble there has been a steady stream of mergers amongst regional banking groups and Sovran says the latest deal will put it amongst the top 30 US banking group, with assets of over $19bn. It would rank 18th in terms of net income.

The merger agreement calls for Commerce Union shareholders to receive 0.91 shares of Sovran common stock for each of their shares. Commerce Union has about 18.6 millions fully diluted shares outstanding.

Prior to the announcement Sovran's shares were trading at two times book value, and Commerce Union's shares were trading at 1.78 times book value. Following the announcement Sovran's shares fell $2⅞ to $36 while Commerce Union's shares rose by $1¼ to $30¾.

After the merger Commerce Union, which consists of 10 banks, will be operated as a separate subsidiary of Sovran and will nominate seven members to Sovran's existing 25-strong board of directors.

Mr Dennis C. Bottoroff, Commerce Union's chief executive who will become a vice-chairman of Sovran, said that the merger "allows Commerce Union to take a leadership position in Sovran's aggressive expansion into Tennessee and neighbouring states west of the Appalachians. This responsibility will increase the importance of Nashville as a financial centre."

Mr C.A. Cutchins, Sovran's chief executive, says that his group's strategy is to locate in markets that "are logical in terms of our services and favourable in terms of their economies."

Commerce Union's primary market is in the "dynamic Middle Tennessee trade area, which is considered to have the best prospects for growth in the state," says Mr Cutchins.

# BNP lifts net profits by more than 50%

By George Graham in Paris

BANQUE Nationale de Paris, France's largest bank, has followed its main rivals by announcing an increase of more than 50 per cent in its profits last year.

Group net profits rose by 52 per cent last year to FFr 3bn ($502m), excluding minorities, following a 14 per cent increase in gross operating profits to top FFr 10bn for the first time.

Mr Jacques Masson, managing director of state-owned BNP, said the group had reduced the average cost of its funds to 4.2 per cent last year, compared with 5.2 per cent in 1985, and had made up for the drop in lending to large companies with increased lending to individuals and small companies.

BNP also increased its profits from activities outside its main banking sphere, such as leasing, treasury and investment banking, and from its international activities.

Unlike its main rivals, Crédit Lyonnais and the soon-to-be-privatised Société Générale, BNP reduced the level of its net new provisions for bad debts last year.

Provisions for sovereign debt risks remained the same at FFr 2.5bn, but provisions for specific risks were reduced. The total volume of new provisions fell 2 per cent to FFr 4.8bn.

France's state-owned banks have been regarded generally as undercapitalised by international standards, but they have over recent years undertaken a considerable effort to build up their insulation against debt repayment problems.

Mr Masson said BNP's FFr 17bn of provisions on sovereign debts now covered 40 per cent of total loans to the 65 countries regarded as having payments difficulties. Its total stock of FFr 30bn of provisions covers 8 per cent of its client exposure.

BNP is increasing its dividend by a third to FFr 16.5 a share, including tax. After taking into account the issue of FFr 5.3bn of new certificates of investment last year, the distribution will rise 66 per cent to FFr 589m.

In addition, the bank plans a one-for-10 bonus issue for holders of ordinary shares or certificates of investment.

Mr Masson said he did not know when BNP would be privatised but that it would not be possible for his bank and the Crédit Lyonnais to remain long in the state sector after Société Générale, the third in the triumvirate of major state banks, has been privatised.

# TV earnings help Havas to recover

By David Housego in Paris

HAVAS, the French advertising and tourist group due to be privatised soon, yesterday announced a strong profits growth last year.

Net consolidated profits climbed to FFr 426m ($70.6m) after a FFr 8m loss in 1985, on the strength of a FFr 13.5 per cent increase in turnover to FFr 11.3bn. But the group says that the profit figures are not comparable because the 1986 results take account of the consolidation of earnings from Canal Plus, the television channel now in profit.

Operating profits rose from FFr 23m in 1985 to FFr 264m last year. Havas says it expects operating profits to climb by 20 per cent this year to about FFr 315m.

In anticipation of its privatisation, Havas shares are being split in four. The board has also approved of the state holding a "golden share" after privatisation intended as a deterrent against unwelcome takeover bids.

# Steel shares suspended

By Haig Simonian

SHARES in Klöckner-Werke, one of West Germany's big four steel producers, were suspended yesterday pending an announcement from the company.

The group blamed the suspension on "false" press reports at the weekend. Klöckner-Werke owns 49 per cent of the Maxhütte steel works in Bavaria, which declared itself bankrupt at Easter.

Meetings are taking place between the Bavarian state government and Maxhütte's creditor banks about its future.

The company last month announced a 1985-86 operating profit of DM 45.2m ($25m), along with plans to shed 4,000 steel jobs.

Mr Bernd Krüger, of Klöckner, said reports of concern about the company itself were "crazy speculation."

# CCF promotes French connection

**French bankers arriving in London to promote shares in Crédit Commercial de France will not be strangers to the Stock Market, writes David Lascelles, Banking Editor.**

WHEN the top brass from Crédit Commercial de France (CCF), the French bank which is being privatised, arrive in London this week to promote the bank's shares, they will not appear as total strangers to the UK securities markets.

CCF was the first French bank to become involved in last year's Big Bang (deregulation of London markets), which saw the entry of many foreign banks to the London Stock Exchange. In 1985 it bought 85 per cent of Laurence Prust, a medium-sized stockbroking firm, and also acquired a 17 per cent stake in Framlington, a fund management group associated with Prust. The cost of the acquisitions totalled FFr 100m ($16.6m).

Although other French banks have advanced into the London market, CCF's remains one of the biggest French stakes in the stock exchange. The connection is reinforced by the fact that Mr Graham Ross Russell, Prust's chief executive, is the exchange's deputy chairman. (By coincidence, the firm of the exchange's chairman, Sir Nicholas Goodison, is also French-owned).

Subscriptions for CCF's FFr 4.4bn of shares opened on Sunday, with 20 per cent of the issue on offer internationally. Mr Gabriel Pallez, the chairman and chief executive officer, and his senior colleagues will be briefing UK institutional investors in London on Thursday.

CCF is France's 10th largest bank in assets terms. But, although it is a high street bank in the British sense, it also has strong leanings in the direction of investment banking. CCF is a major researcher and broker of securities in the French market (where it claims to have about 10 per cent of the business that passes through banks).

The Prust acquisition strengthened the international investment and corporate finance business, though at the moment CCF's ambitions are European rather than global.

The flotation prospectus describes Prust as "a central part of CCF's European strategy for developing business in equities."

Prust's strengths are as an institutional broker active in research and in corporate finance for medium and small-sized companies.

It claims to lie about fourth or fifth in terms of launches on the Unlisted Securities Market, and to lie 15th to 20th in corporate finance overall. For Prust, the link with CCF has brought an international dimension which it lacked and given it access to new capital.

Mr Ross Russell says the relationship has developed in three main areas. One is research, where both institutions were previously strong in their own right, and are increasingly exchanging work.

Another is corporate finance in which the two claim to be rapidly building up more cross-border business. Some of CCF's corporate finance executives have joined Prust in London. Prust has participated in a number of French Euro-equity placings for companies such as Lafarge and Financière Nobel.

The third area is distribution of securities. Although CCF already has six people in London selling French stocks to UK investors, Mr Ross Russell says Prust's French connection is now accounting for about 10 per cent of its distribution business. Because France has not yet abolished fixed commissions, it is also more profitable than UK distribution since the Big Bang.

Prust and CCF have decided not to go into equity market-making in the UK at this stage although they may enter the business later.

CCF has invested more capital into Prust in the form of unsecured loan stock but has not yet exercised its right to appoint a majority to Prust's board (it has four of the nine members).

Mr Ross Russell says the relationship is working well. "They are a bank, but the clearing bank mentality does not rule the roost," he said. Although the board meets quarterly, relations are close enough for business to go on outside those formal confines.

# Rolls-Royce sale values group at £1.3bn

BY RICHARD TOMKINS IN LONDON

SHARES in Rolls-Royce, the British state-owned aero-engine maker, are expected to be priced at 170p when details of the Government's offer for sale to the private sector are unveiled this morning.

The price is at the mid point of the 160p range predicted by the Government's advisers at the weekend, but it is higher than the 150p-160p forecast by some analysts in the City of London. It will value the company at £1.36bn ($2.2bn).

The Government has apparently decided to opt for a fairly full price because it does not want to be accused of selling assets cheaply in the run-up to a general election.

It can afford to risk a low-key public response because it is confident that it has conducted a successful behind-the-scenes marketing campaign for the issue with institutional investors.

The share price will be payable in two equal instalments – 85p on application and 85p in September. The smallest allowable application will be for 400 shares. So the minimum initial investment will be £340.

Dividend payments will be fixed at a level which provides an historic gross yield of 4.1 per cent.

The advisers to the issue are confident that the shares will rise to at least 200p on a fully paid basis when dealings begin next month. A 30p premium would represent a gain of 35 per cent on the partly paid price – much smaller than the premiums seen on other recent privatisation issues.

The figure was decided at meetings between the advisers to Rolls-Royce and the Government yesterday afternoon and took full account of the fall in world stock market indices. It is unlikely to have been changed overnight.

Some 801.5m shares will be offered for sale. Of these, 60 per cent will be placed for employees and the public.

If the public part of the offer is more than twice subscribed, a clawback provision will increase the public portion to 50 per cent at the expense of the institutions' allocation.

So far, just over 500,000 people have asked the Rolls-Royce share information office to send them prospectuses. This is about the same number as at the same stage of the British Airways flotation.

However, research conducted for the Government suggests that interest in the issue among people who own shares in other companies is running at a high level, partly because of the precedent set by earlier privatisations and partly because of the Rolls-Royce name.

The prospectus for the flotation will come out on Thursday, and the offer will close on Thursday May 7. Stock market dealings will begin on Tuesday May 19.

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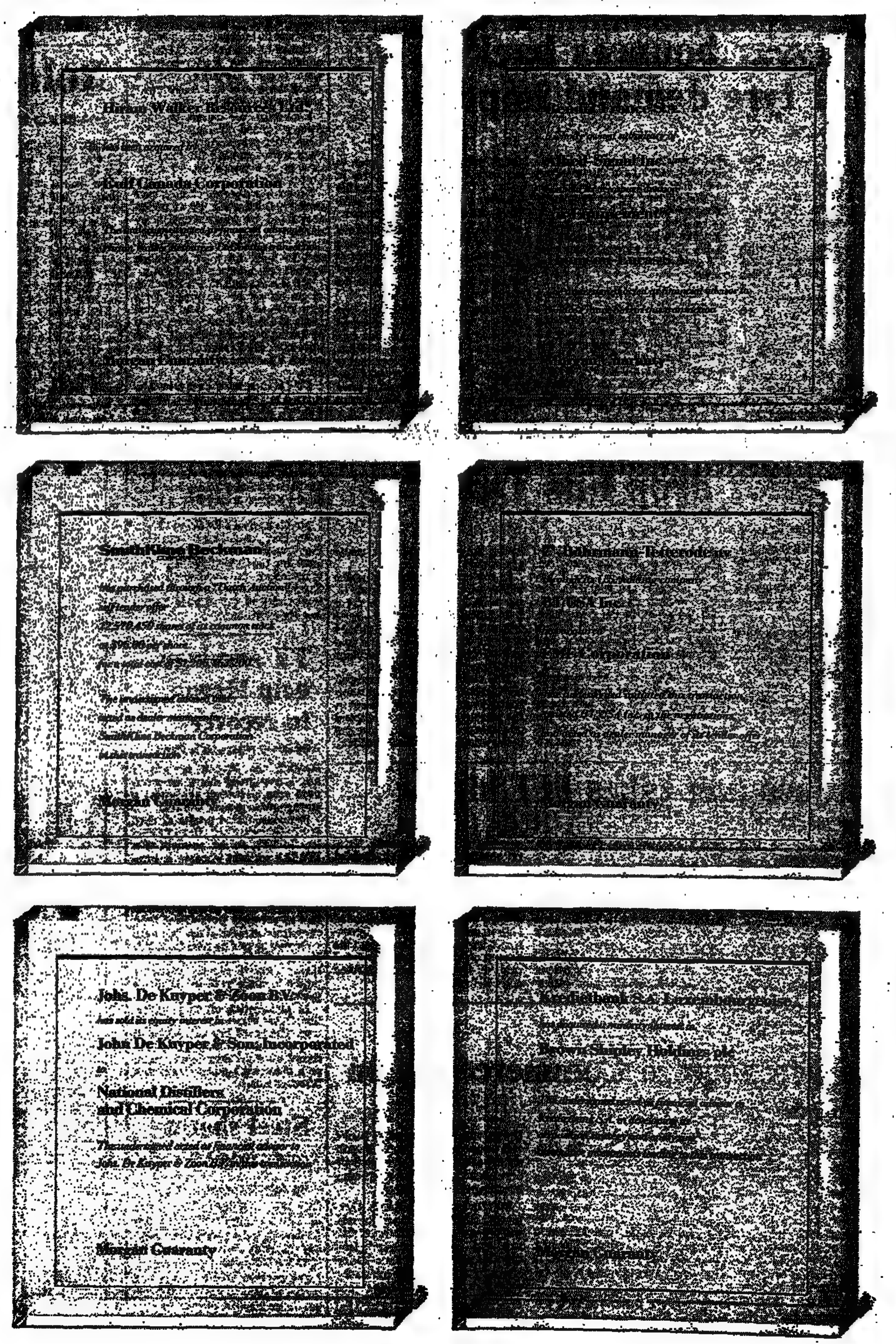


## Morgan Guaranty



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# INTERNATIONAL COMPANIES and FINANCE

**Tony Jackson** looks at a West German drugs group facing heavy financing pressure

## Merck expansion outstrips cash generation

ONE OF the world's big drug and chemical companies came to London recently to explain the reasons for an international share placing which had just raised it £78m ($128m). The company was Merck—not the US giant, but the quite unconnected German private company, now in the process of going public.

Merck's sales last year were a formidable DM 3.2bn ($179m), made entirely in the fashionable areas of drugs and speciality chemicals. The company is controlled by 88 members of the Merck family around the world, formed into a partnership. The family has every intention of staying in charge; however, like a growing number of German family companies, it has decided to raise finance from the investing public.

For Dr Hans Joachim Langmann, Merck's chairman, the reasons are global in scale. There are ambitious plans to expand the company, calling for more cash than the company can generate. The traditional German answer would have been to go to the banks, but not any more.

"In my opinion," says Dr Langmann, "the financial stability of the world economy has been deteriorating for four or five years. The worsening of the US trade account, the Third World debt problem and the threat of trade wars makes us feel that whereas we have never had a problem in getting funds, we would be advised to get more equity as the basis for further expansion."

### Uncharacteristic

In a sense, he says, chemical companies are uncharacteristic of German industry as a whole in being much stronger financially. As a result, they will only consider looking for equity finance if ambitious expansion is afoot.

But in other sectors, "if you compare German companies with American—or even today Japanese—the ratio of equity to overall capital is low, so borrowings play an important role. This has worried a lot of business leaders for a number of years. With changed market conditions and more optimism generally in Germany, many have thought it opportune to go public."

But what does Merck want the cash for? Three things, Dr Langmann says—acquisitions, new capacity and research.

Acquisitions will come mainly in pharmaceuticals, with the strategy varying by geography. "In Europe we already have our marketing network, so we would be looking to acquire companies with new products. In the US, we would be looking for a marketing network too."

But given the very high cost of pharmaceutical acquisition these days, what scale of purchase is contemplated? "I have no special ideas on that. But I expect that in the next five or six years there will be a number of small pharmaceutical companies growing up, in areas such as biotechnology. They will still be expensive, but if your're in that area too and can combine your efforts, then expense is relative."

The company is plainly thinking on a large scale. "A $10m or even $50m price is not a problem internally, but if you go higher than that you go beyond the balance-sheet levels which a conservative company like ours thinks proper."

Acquisitions are only part of the strategy. Merck is a world leader in two specialised chemical areas — chemicals for the electronics industry, and so-called pearl lustre pigments used in paint for cars.

"We need new factories," Dr Langmann says. "In pigments, we recently built a new one in Germany, but we need local production as we already have in Japan and the US. We are reaching capacity limits, and perhaps we need plants in other parts of the world."

### Partnership

In electronic chemicals, he says, "we mainly supply from our factory in Germany. But if the markets in Japan and the US, for instance, grow beyond certain limits, we will need factories there too."

The method of going public is complex. The Merck group remains a private partnership, but shares have been sold in its international subsidiary, Merck AG of Switzerland. After an initial offering last July and this week's placing, the partnership's holding in Merck AG is down to 58 per cent.

"We must have a majority stake," says Dr Langmann. "The partnership is the R&D centre of the group, so in that sense AG depends on the parent. But over 50 per cent of the parent's exports are through AG, so the parent is dependent too. In our strategic planning for this century, I cannot see a situation in which the partnership would give up control."

But why float off the foreign part? For tax reasons, says Dr Langmann. It happens that most of the partners are no longer German for the purposes of the German revenue authorities, and if Merck AG can be shown to be foreign owned they are not liable to tax on the capital gain arising from the flotation.

This same logic dictated two remarkable departures from German tradition. Unlike many German family businesses now going public, Merck has issued voting shares, to demonstrate to the German tax authorities that foreign ownership is real. For the same reason, the roll call of banks involved in yesterday's placing had one notable omission — no German banks were involved.

## CRS bids A$547m for Monier

BY CHRIS SHERWELL IN SYDNEY

CSR, Australia's tenth largest company, has made a A$547m (US$388m) takeover offer for Monier, the quoted building materials manufacturer which is 49 per cent-owned by Redland of the UK.

The move comes two weeks after Redland's sudden abandonment of a plan to take over Monier itself. For CSR, a sugar, building products and resources group, the offer represents a further expansion in one of its core businesses.

At the end of last month CSR made a $150m bid for full control of Pioneer Sugar Mills in Queensland and simultaneously agreed a A$985m sale of its Cooper Basin oil and gas interests to Exxon of the US.

The decisions are all seen as part of an extensive restructuring design to reduce CSR's debt and reverse its dependence on resources assets.

According to yesterday's announcement, CSR or a subsidiary will offer A$3.30 cash for each Monier share. An alternative offer of CSR shares will also be made, but details have yet to be disclosed. CSR currently owns only 0.21 per cent of Monier.

The offer price is equivalent to 16.8 times Monier's after-tax earnings per stock unit for its last financial year.

Redland, which has said it will retain a significant interest in Monier, supports the bid and will not accept the offer in respect of its holding. The two groups hope to establish a joint venture relationship.

Mr Christopher May, Redland's finance director, said that the company planned to have further discussions with CSR following the completion of the bid.

He said it was a "sensitive time" and felt constrained by legal and other considerations from talking about what these opportunities might be. Analysts in London and Melbourne suggested that Redland might acquire Monier's US operations from CSR, or that both Redland and CSR would use and develop Monier as a vehicle for their joint expansion in the US and elsewhere.

To protect Redland's position, the company will receive a six-month option from CSR allowing it to sell its holding in Monier to CSR on the same terms, and another option to buy Monier shares from CSR in order to take its stake up to a maximum 50.1 per cent.

## Strong second-half rally by Equiticorp Tasman

BY BRUCE JACQUES IN SYDNEY

EQUITICORP TASMAN, the Australian-listed investment group headed by Mr Alan Hawkins, has surprised financial markets with A$62.3m (US$44m) after-tax profits for the year to March, after registering a first-half deficit.

Directors also served notice that the company is still looking for acquisitions in Australia, following its controversial exits from the battles for both BHP and ACI International in recent months.

They said the group has shareholders' funds of A$290m with which to seek a long-term, significant industrial investment in Australia.

The result compared with a A$3m profit in the previous year, and reflected a sharp turnround on the A$42.4m loss recorded for the first half. "The result reflects the profitable exit from the company's two major investments during the year, ACI and BHP, and was achieved after accounting for all funding and associated costs, including disposal costs."

## Starra gold mine venture

A GOLD MINE designed to produce 100,000 oz of metal a year is planned at Starra, in western Queensland, Australia, by joint venture partners Cyprus Minerals, Arimco and Elders Resources, writes Stefan Wagstyl.

Meanwhile the three Australian participants in the Kalgoorlie Mining Associates (KMA) gold mining venture are discussing a possible restructuring of their interests in Gold Mines of Kalgoorlie (GMK).

KMA is owned 52 per cent by Kalgoorlie Lake Pty and 48 per cent by a local unit of Homestake Mining of the US. KLV in turn is owned 47 per cent each by Poseidon and GMK and 6 per cent by WMC.

# INTERNATIONAL COMPANIES and FINANCE

## Skanska shows 29% rise in profits

BY SARA WEBB, STOCKHOLM CORRESPONDENT

SKANSKA, the Swedish construction, property and investment company, reported a 29 per cent increase in profits (before allocations and taxes) to SKr 1.05bn ($169m) in 1986, compared with SKr 811m the previous year.

Turnover rose 7.7 per cent to SKr 16.1bn, compared with SKr 14.96bn in 1985.

Skanska improved on its earlier profits forecast chiefly because of higher interest rates in the autumn (which meant a higher return on its financial surplus of SKr 450m), as well as stronger third-quarter results from subsidiaries in the industrial sector.

The board proposes raising the dividend from SKr 2.5 to SKr 3.0. The group expects profits to increase further in 1987.

Profits from property management increased from SKr 230m to SKr 290m while profits from the sale of property interests increased from SKr 54m to SKr 161m.

However, Skanska said that it had incurred substantial losses in overseas operations which had pulled down earnings.

Overseas revenues accounted for SKr 2.83bn, out of Skanska's total turnover of SKr 16.1bn.

Skanska recently launched a SKr 1.4bn bid for control of the JM property and construction group, having already acquired 32.4 per cent of the capital and 48.7 per cent of the votes. However, Skanska's offer of SKr 510 a share was topped by Folksam, the country's third-largest insurance group, which offered SKr 580 a share.

## Bredero unveils shake-up

By Laura Raun in Amsterdam

BREDERO, the financially troubled Dutch construction and property group, yesterday announced a dramatic restructuring that will wind down its foreign activities and combine its healthy domestic operations in one unit.

Bredero plunged into loss last year with a Fl 89m ($44.5m) loss, because of its insolvent property subsidiary, Breevast, and an Algerian construction project. Negotiations with creditor banks over Bredero's future have been going on for some months.

The domestic operations to be continued, all in construction, have a turnover of Fl 450m – less than a third of Bredero's Fl 1.46bn 1985 turnover.

## Jamaica to sell off 12 resort hotels

BY CANUTE JAMES IN KINGSTON

THE JAMAICAN Government is offering 12 large resort hotels for sale to foreign and local investors this year in what is the biggest chapter in a programme of divesting state-owned economic properties.

"This is by far the largest part of the programme," said Mr Edward Seaga, the Prime Minister and Finance Minister.

The sale of the hotels will follow last year's divestment of half of the assets of the state-owned National Commercial Bank, the island's largest, while the Caribbean Cement Company, Jamaica's sole producer, is being divested in June.

"These hotels all have a track record of profitability," said Mr Seaga. "We already have a backlog of inquiries, and I have no doubt that we will be able to sell all of them. I expect that four, and maybe five, of the hotels will be bought by foreign investors. "The decision to divest these hotels follows on the need to improve the state of the infrastructure and services in the tourism centres. The proceeds of the sale will be used to finance an overall programme of development for tourism."

The Prime Minister also announced the planned divestment of government assets in two of the island's media houses. Part of the Jamaica Broadcasting Corporation, which operates a radio network and the only television station, will be offered for divestment, as well as the Government's minority holding in Radio Jamaica, which runs the island's second radio network.

## Brazilian mine declines for second year

By Ann Charters in Sao Paulo

COMPANHIA VALE do Rio Doce, Brazil's largest state-controlled metals and mining conglomerate, reported a decline in net profits for the second consecutive year in 1986 to cruzado 4.3bn, about $288m at a year-end exchange rate.

Earnings were down nearly 50 per cent expressed in dollar terms.

Weak international prices for iron ore, which constitutes 80 per cent of the company's exports and 60 per cent of its operations, reduced income with a consequent lower net operating result of Cz 16.2bn ($1.09bn), down 32 per cent in dollar terms, compared with the previous year.

## NORTH AMERICAN QUARTERLY RESULTS

**AMERICAN PRESIDENT COMPANIES**
Shipping

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 462.0m | 348.3m |
| Net profits | 19.4m | 19.8m |
| Net per share | 0.84 | †0.46 |

† Loss

**AVNET**
Electronic components distributor

| Third quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 378.8m | 303.6m |
| Net profits | 5.0m | 8.9m |
| Net per share | 0.14 | 0.25 |

**BANCTEXAS**
Banking

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Assets | 918.4m | 1.55bn |
| Net profits | †24.0m | 374,000 |
| Net per share | †1.08 | — |

† Loss

**BECTON DICKINSON**
Pharmaceuticals

| Second quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 380.0m | 319.1m |
| Op. net profits | 33.3m | 31.1m |
| Op. net per share | 0.80 | 0.73 |

**BORDEN**
Consumer products, chemicals

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 1.43bn | 1.14bn |
| Net profits | 44.0m | 36.7m |
| Net per share | 0.60 | 0.49 |

**BROWNING-FERRIS INDUSTRIES**
Waste disposal

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 388.8m | 316.9m |
| Net profits | 37.0m | 30.4m |
| Net per share | 0.25 | 0.20 |

**CHUBB CORPORATION**
Insurance

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Op. net profits | 78.7m | 45.1m |
| Op. net per share | 1.85 | 1.28 |

**CITYFED**
Savings and loans

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Assets | 10.8bn | 9.8bn |
| Net profits | 14m | 15.8m |
| Net per share (diluted) | 0.58 | 0.64 |

**COMBUSTION ENGINEERING**
Industrial equipment

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 536.9m | 535.2m |
| Net profits | 11.0m | 13.6m |
| Net per share | 0.35 | 0.41 |

**COMPAQ**
Personal computers

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 211.0m | 144.0m |
| Net profits | 20.2m | 8.3m |
| Net per share | 0.58 | 0.27 |

**CONSUMERS POWER**
Utility

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 903.8m | 1.02bn |
| Net profits | 68.2m | 64.2m |
| Net per share | 0.53 | 0.39 |

**CRAY RESEARCH**
Supercomputers

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 234.1m | 142.0m |
| Net profits | 57.22m | 30.3m |
| Net per share | 1.78 | 1.00 |

**DIAMOND SHAMROCK**
Exploration/production

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 152.0m | 189.3m |
| Net profits | †49.8m | †9.30m |
| Net per share | †0.85 | †0.12 |

† Loss

**R. R. DONNELLEY**
Commercial printer

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 510.8m | 462.2m |
| Net profits | 30.2m | 29.2m |
| Net per share | 0.77 | 0.72 |

**FOXBORO**
Instrumentation systems

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 117.1m | 128.9m |
| Net profits | †8.2m | 2.1m |
| Net per share | †0.66 | 0.17 |

† Loss.

**GLENFED**
Savings and loans

| Third quarter | 1987 $ | 1986 $ |
|---|---|---|
| Assets | 18.5bn | 15.5bn |
| Op. net profits | 33.7m | 17.66m |
| Op. net per share | 1.54 | 0.82 |

**HASBRO**
Toys, games

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 279.2m | 254.0m |
| Net profits | 16.2m | 18.6m |
| Net per share | 0.26 | 0.33 |

**HOME GROUP**
Insurance

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Net profits | 74.1m | 86.2m |
| Net per share | 2.08 | 2.44 |

**HOMESTAKE MINING**
Gold producer

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 75.2m | 78.0m |
| Net profits | 6.76m | 4.68m |
| Net per share | 0.12 | 0.08 |

**IMPERIAL OIL**
Energy

| First quarter | 1987 C$ | 1986 C$ |
|---|---|---|
| Revenue | 1.84bn | 1.9bn |
| Net profits | 157.0m | 138.0m |
| Net per share | 0.96 | 0.84 |

**INGERSOLL-RAND**
Air compressors, machinery

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 609.4m | 680.3m |
| Net profits | 19.8m | 18.5m |
| Net per share | 0.87 | 0.87 |

**JOHNSON & JOHNSON**
Pharmaceuticals, toiletries

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 1.98bn | 1.74bn |
| Net profits | 235.5m | †136.6m |
| Net per share | 1.35 | †0.75 |

† Loss reflects $336m charge

**KNIGHT-RIDDER**
Media

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 488.9m | 447.3m |
| Net profits | 28.5m | 26.6m |
| Net per share | 0.49 | 0.46 |

**MACMILLAN**
Publishing

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 165.1m | 140.6m |
| Net profits | †2.5m | 298,000 |
| Net per share | †0.11 | 0.01 |

† Loss

**MAYTAG**
Domestic appliances

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 478.9m | 405.9m |
| Net profits | 41.2m | 33.6m |
| Net per share | 0.98 | 0.78 |

**NORANDA**
Metals mining

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 925.4m | 885.8m |
| Net profits | 29.5m | 21.4m |
| Net per share | 0.14 | 0.09 |

**LAFARGE**
Cement

| First quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenue | 173.3m | 189.8m |
| Net profits | †20.0m | †17.4m |
| Net per share | †0.54 | †0.48 |

† Loss

**LORNEX MINING**
Copper producer

| First quarter | 1987 C$ | 1986 C$ |
|---|---|---|
| Revenue | 42.8m | 35.1m |
| Net profits | 7.2m | 4.1m |
| Net per share | 0.87 | 0.50 |

# INTERNATIONAL CAPITAL MARKETS and COMPANIES

## Japanese interbank deals boost world loan figures

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

AN EXPLOSION in loans by banks to other banks, particularly in Japan, was responsible for dramatic growth in international bank lending in the last quarter of 1986 as well as in the year as a whole, the Bank for International Settlements reports today.

Quarterly figures from the Basle-based BIS show that the opening of the Tokyo offshore banking market in December had a remarkable impact. They also show that bank lending remains concentrated in industrialised countries, with loans to the developing world falling to their lowest level since the late 1960s.

A $209bn rise to $3,221bn in gross cross-border lending during the fourth quarter, after adjustment for exchange rate changes, was the largest ever recorded. The bulk of the increase was accounted for by a $189bn rise in interbank lending.

In the year as a whole, international bank lending grew by an astonishing $477bn, with interbank activity accounting for $429bn. The pace was twice that of 1985 and 80 per cent higher than the previous record set in 1981.

After adjustment for the double-counting caused by redeposits of funds among banks, the net total grew $160bn in 1986 to $1,770bn—a much faster increase than the $105bn in 1985, and equalling 1981's record growth.

During the fourth quarter, however, the net increase was $50bn, a smaller gain than in the third quarter and only $5bn above the increase seen in the same quarter of 1985.

When the net growth of bank lending is added to net international bond issuance and adjusted for double-counting, the BIS estimates that the combined amount of international financing was a record $240bn in 1986 compared iwth $175bn in 1985.

"The main reason for this strong growth was undoubtedly the increasing globalisation of financial markets, with credit intermediation shifting more and more from the national to the international circuits."

There was a marked shift in the relative importance of bank and bond financing during the course of the year, with net new funds provided through the bond markets falling from $82bn in the first half to $74bn in the second, while bank lending—naturally stronger in the second half because of seasonal effects—rose from $55bn to $105bn.

The rise in interbank lending underlines the growing importance of Japanese banks. Their external assets rose $57bn during the fourth quarter and $127bn during the year, after adjustment for exchange rate changes, to stand at $345bn. Banks in the UK and US had external assets of $714bn and $469bn respectively, but their ratese of growth were much slower.

The interbank activity of Japanese banks was due, the BIS says, to their growing involvement in securities markets, management of interest rate positions, shifts of business abroad following deregulation, and competition between banks to show the largest balance sheets.

The most important factor, however, was the $93.7bn of assets amassed by the Tokyo offshore banking market during December alone.

Banks re-booked existing cross-border loans in the new market, and also transferred business previously booked outside Japan, particularly in Hong Kong and Singapore.

Out of net international bank lending of $160bn last year, developing countries outside the Organisation of Petroleum Exporting Countries received $100m. In 1985, the figures had been $77bn and $11bn respectively.

The latest BIS figures will underscore the concerns expressed by US and other officials about the slow pace of new lending to troubled debtors Banks' claims on Latin America fell by $1.6bn during the year as a whole, although they rose by the same amount during the fourth quarter

### INTERNATIONAL BANK LENDING GROWTH

($bn at constant end-quarter exchange rates)

| | 1984 | 1985 | 1986 |
|---|---|---|---|
| Cross-border interbank lending inside BIS reporting area | 94.1 | 182.5 | 428.6 |
| Cross-border lending to non-banks in reporting area | 16.9 | 23.1 | 29.8 |
| Claims on rest of world | 13.1 | 23.8 | 9.1 |
| Unallocated | | 4.2 | 9.1 |
| Total cross-border lending | 124.1 | 233.6 | 476.6 |
| Total net of double-counting | 90.0 | 105.0 | 160.0 |

### ESTIMATED NET LENDING IN INTERNATIONAL MARKETS ($bn)

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Bonds net of redemptions | 50 | 58 | 83 | 125 | 156 |
| Net bank loans | 95 | 85 | 90 | 105 | 160 |
| Total net of double-counting | 145 | 130 | 145 | 175 | 240 |

Source: Bank for International Settlements

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 27

US DOLLAR STRAIGHTS

[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

OTHER STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

SWISS FRANC STRAIGHTS

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev. Bk. 5⅞ 96 | 100 | *†101¾ | 102⅛ | 0 | −0¼ | 5.39 |
| Amer. Corpn. 5¼ 01 | 200 | *†93¼ | 93¾ | 0 | +0⅛ | 6.14 |
| Baker Int. 4⅞ 96 | 200 | *†89½ | 89½ | 0 | −0⅛ | 5.65 |
| Carlsberg 5 96 | 80 | *†101¾ | 101¾ | 0 | −0⅛ | 4.76 |
| Chujitsuya 5⅛ 94 | 80 | *†102¼ | 102¼ | 0 | 0 | 4.99 |
| Deutsche Bk. Fin. 5⅞ 95 | 100 | *†107¼ | 107¼ | 0 | −0⅛ | 4.25 |
| EIB 4⅝ 97 | 200 | *†98¼ | 98¾ | 0 | −0½ | 4.87 |
| Glendale F. S. & L. 5½ 95 | 100 | *†102 | 102 | 0 | −1⅛ | 5.19 |
| Hornash 5⅛ 98 | 120 | *†99¼ | 99¼ | 0 | −0⅛ | 5.22 |
| Industrial Credit 5⅛ 96 | 75 | *†99¼ | 99¼ | 0 | 0 | 5.25 |
| Japan Dev. Bk. 5⅛ 97 | 100 | *†101¾ | 101¾ | 0 | −0½ | 4.98 |
| Oberos. Kftwk. 5⅞ 95 | 100 | *†105¼ | 105¼ | 0 | +0½ | 4.86 |
| Olivetti Intl. 5½ 95 | 100 | *†104¼ | 104¼ | 0 | +0⅛ | 4.86 |
| Pepsico 5⅛ 95 | 130 | *†105¾ | 105¾ | 0 | −0⅛ | 4.37 |
| Prov. of Manitoba 4⅞ 94 | 200 | *†102⅞ | 102⅞ | 0 | −0⅛ | 4.37 |
| Ralston Purina 5⅞ 94 | 125 | *†103½ | 103½ | 0 | +0⅛ | 4.81 |
| Settsu Euro. 0 01 | 100 | *†46¼ | 46⅛ | 0 | −0½ | 5.72 |
| Tohoku Elec. Pwr. 4⅞ 96 | 150 | *†99⅞ | 99⅞ | 0 | 0 | 4.95 |
| USX Corpn. 5⅛ 98 | 100 | *†95½ | 95½ | 0 | +0⅛ | 6.31 |
| World Bank 5⅛ 94 | 150 | *†105¾ | 105¾ | 0 | +0½ | 4.43 |

Average price change on day 0 on week −0⅛

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; J. Henry Schroder Wagg and Co.; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

## Malaysian banking licences blocked

By Wong Sulong in Kuala Lumpur

MALAYSIAN stockbrokers have apparently succeeded in blocking a move to grant full broking licences to local banks.

This follows an assurance by Mr Sabbaruddin Chik, the deputy Finance Minister, that the Treasury "does not intend to issue new stockbroking licences yet."

His comments came after a protest by local stockbrokers over reports that the Treasury was considering granting full broking licences to the three largest local banks, Bank Bumiputra, Malayan Banking and United Malayan Banking.

Tan Sri Hashim Aman, Malayan Banking chairman, confirmed yesterday at its annual meeting that the bank had applied for a full broking licence but must now drop the idea in view of the deputy minister's statement.

He said the bank would negotiate with one of the existing broking firms with a view of taking up at least 51 per cent of its equity.

The 50 local stockbroking firms have argued that the move was contrary to proposals of the task force on the future structure of the local securities industry which had recommended that local banks and foreign brokers be allowed to join the Kuala Lumpur Stock Exchange through partnerships with local brokers.

So far, Arab Malaysian Merchant Bank has taken a 61 per cent stake in a local securities company while Hong Leong Credit is awaiting Treasury approval for a similar stake in another firm.

Meanwhile, the Malaysian Remisiers Association, which represents jobbers, has denied it will boycott the introduction of real-time price reporting, scheduled to be introduced on the KLSE in June.

Tan Lam Lin, its newly elected president, said the association wanted the KLSE to reduce the proposed monthly rental fee of 400 ringgit ($280) for remisiers (jobbers) as their counterparts in Singapore were only paying half the price for the service.

## SA Reserve Bank expands functions

THE SOUTH African Reserve Bank officially took over all regulatory functions of the country's banks and building societies with effect from yesterday, the central bank said, Reuter reports from Johannesburg.

Banks and building societies were previously regulated by the Registrar of Financial Institutions under the ultimate authority of the Department of Finance.

The South African central bank said the change in the supervisory authority for the country's banks and building societies was made effective through an amendment to the Financial Institution Act.

The Reserve Bank gave no reason for the change, but banking analysts said the move appeared to be aimed at consolidating control of South Africa's banking system under the supervision of the central bank.

The Registrar of Financial Institutions, a government agency, will continue to monitor and regulate activities of the country's insurance companies, pension funds and unit trusts.

## Sino Land wins Hong Kong housing loan

SINO LAND, the property group, has obtained a HK$590m ($75.6m) loan for two subsidiaries to finance a residential housing project in Hong Kong, executive director Mr Robert Ng said, Reuter reports from Hong Kong.

The three-year loan for Beverhill and Botswain carries interest of 1 per cent over the one, two and three-month Hong Kong interbank offered rates, he said.

Hongkong and Shanghai Banking, Citibank and the Bank of China are co-lead managers for the loan. Other lenders are Hang Seng Bank, the Bank of East Asia, the Bank of Canton and Société Générale.

The borrowers will use part of the loan to repay a HK$350m bridging loan, which was obtained earlier from the three lead managers to finance the purchase of the site.

The balance will be used to pay construction costs.

The two companies won a government land auction for the site at a cost of HK$645m in November.

Beverhill is wholly owned by Sino Land while Botswain is 20 per cent held by Sino and the balance by the Ng family, which controls the group.

## NatWest issue dominates strong Eurosterling sector

BY CLARE PEARSON

FIVE BORROWERS rushed into the Eurosterling market, offering £300m worth of bonds after the gilts market and sterling had opened firm.

The Eurosterling market suffered a setback later, however, as a bout of profit taking took longer-dated gilts sharply lower. Eurosterling prices eased by about ½ point.

Nevertheless, dealers said underlying sentiment remained firm, given the strength of the currency and the expectation of an early Conservative election victory. These factors decoupled the gilt market from the ailing US Treasury market last week.

Among the Eurosterling deals, County NatWest Capital Markets' issue of unsubordinated deposit notes for its parent, National Westminster Bank, attracted the most attention as it was the first fixed rate Eurosterling bond for a British clearing bank. It was also the borrower's first international bond offering since it was upgraded to triple-A status by both the main US credit rating agencies.

The £100m five-year 9 per cent deal, priced at 101⅜, looked tightly priced. But dealers said the rarity of bank paper of this quality in the fixed rate market was likely to ensure a firm response, especially from Far Eastern investors.

Kleinwort Benson appeared to be attacking the same market with a £50m 9 per cent five-year deal for Societe Generale, priced with a 101⅜ issue price to give a yield net of fees of around 5 basis points over comparable gilts at the time of launch.

Meanwhile, Baring Brothers launched two deals worth £50m apiece for two US companies, General Motors Acceptance Corporation and Air Products and Chemicals. GMAC's five-year 9 per cent bond was priced at 101⅜, and Air Products' 10-year 9¼ per cent issue at 100⅛.

Warburg Securities led a £50m 20-year bond for Slough Estates, in its debut Eurosterling bond. The 10 per cent bond was priced at 97⅜ to give an initial yield of 145 basis points over the reference gilt. Warburg said this was close to the level at which an outstanding domestic bond for the borrower was trading.

Dealers said the terms were reasonable, especially as Slough was providing more onerous covenants than those on recent deals for other British property companies. Some expressed doubts, however, about the strength of demand for Eurosterling bonds with this length of maturity. It was expected to go almost wholly to UK institutions.

Slough's deal was not helped by a downturn in the longer-end of the gilt market during the day, triggered partly the hedging activity of the Eurosterling issuing houses.

The other Eurosterling deals were quited at prices close to the level of their total fees, although Air Products' bond was quoted 98⅛ bid, outside two per cent commissions.

Eurodollar bonds eased by up to ¼ point in lower turnover as fears of higher interest rates beset the US Treasury market.

Sharp weekend price falls in the Tokyo bond and equity markets took Euroyen prices about ¼ point easier yesterday, while dollar-denominated equity warrants bonds for Japanese companies shed around two points.

Nomura International led a Y45bn seven-year 4⅛ per cent bond for Belgium, priced at 101½. Meanwhile, Daiwa Europe led a Y20bn 10-year 4⅜ per cent bond for the City of Oslo, priced at 101⅛. Both were bid at the level of their full commissions.

Daiwa surprised the market by increasing a recent deal for Sumitom Realty and Development by $100m to $600m — putting it on a par with the record issue for Mitsubishi Corporation, launched last week —and pricing it with 1½ per cent coupon, the lowest yet on this type of bond.

The deal, quoted as high as 108 last week, slipped to around par yesterday. Daiwa said that it had taken the decision to cut the coupon by ¼ per cent from the indicated level because it believed Sumitomo would continue to be a "star performer" of the Tokyo stock market, despite the weekend setback in Japanese equities.

Nikko Securities announced a $200m equity warrants five-year bond for *Yamato Transport* with an indicated 2 per cent coupon and a par issue price.

Instituto Bancario San Paulo di Torino launched a L100bn issue of depositary receipts for its London branch. The five-year 10 per cent bond, priced at 101⅛, is callable in 1990 at 100½ and puttable in the same year at par.

In the D-Mark market, prices fell by ¼ point in low turnover. In the domestic market, Bavaria launched a DM 1bn 10-year 6 per cent bond priced at 99⅛. It traded at around less one bid.

The market in Zurich was closed yesterday

INTERNATIONAL BONDS

## Record float by Dutch retailer

BY LAURA RAUN IN AMSTERDAM

DE BOER Winkelbedrijven, a Dutch retail group, has gone public on the Amsterdam Stock Exchange in a Fl 225m ($67m) flotation—the largest introduction of a company on to the bourse in recent history.

About a quarter of the 3.3m shares, priced at Fl 68 each, have been placed with institutional investors inside and outside the Netherlands. Trading will begin on May 7.

De Boer operates supermarkets, drug stores and consumer goods outlets, mostly in the north-eastern part of the country. It earned Fl 19.5m last year on sales of Fl 994m. The group concentrates on efficient inventory and distribution control, including a new automation project, to mass market its goods in a chain of stores.

The proceeds of the flotation will be used to finance further expansion of the chain's outlets at a pace of about two a year

The flotation is about 10 times the size of most Dutch introductions, which usually run between Fl 15m and Fl 30m.

## Big dealers expected to fight AIBD prices plan

By Our Euromarkets Staff

A PROPOSAL to introduce a screen-based price quotation system in the Eurobond market is likely to meet with stiff resistance from leading houses when it comes up for discussion at the Association of International Bond Dealers' annual meeting in Oslo next month.

"Some of the larger firms are adamantly opposed to such a system, at dealer level, because of the lack of flexibility it gives them in price setting," Mr Arthur Schmiegelow, AIBD chairman, acknowledges in the agenda for the meeting, circulated to delegates yesterday.

The AIBD board urgently needs the support of the leading houses if it is to carry out its plan for automation of price quotations. An AIBD group under the leadership of Mr Stanley Ross, a managing director of Deutsche Bank Capital Markets, has been attempting to enlist the market's support for a new system.

The AIBD is keen to improve the transparency of bond market prices, following the huge expansion on trading volume which topped a record $3,590bn equivalent in 1986. A new system would also add weight to the AIBD's application to become a recognised investment exchange within the UK's new regulatory structure.

Some of the main market making firms argue that a screen-based system would be impracticable in the Eurobond market because of the number of different instruments whose prices would have to be updated. They also fear that visible prices, on which they would be committed to deal, would reduce their profits.

The smaller houses, on the other hand, see the system as a way of generating more business for themselves. The AIBD says that they welcome the proposal, as do a few very large firms with what Mr Schmiegelow describes as a more enlightened view of the market's interests.

The results of a feasibility study carried out last year have been circulated to elicit proposals from commercial information system operators. The AIBD envisages that a commercial partner would be the main source of funds

# Hillards rejects increased Tesco bid

By Nikki Tait

Hillards, the Yorkshire-based supermarket group, yesterday hotly rejected the widely-expected increased bid from national chain, Tesco. The new Tesco terms, which have been declared final, value Hillards at £203.3m—some £24m more than its initial offer.

Hillards immediately described the revised bid as "a derisory discount offer which would represent a cheap way for Tesco to buy its way into a market in which it has hitherto failed." Mr Peter Hartley, Hillards chairman, stressed that the company intended to fight for its independence

The revised bid offers shareholders 14 Tesco shares for every 19 Hillards, which—with Tesco unchanged at 482p on the news—values each Hillards at 355p. The previous swop was 13 for 20. The underwritten cash alternative also goes up from 290.55p to 342.6p. Yesterday, Hillards shares added 11p to 345p.

For Hillards convertible shares, Tesco is now offering seven of its own shares for every 19 held, compared with 40 for 13 previously; again the cash alternative goes up, from 145p to 171.3p.

Yesterday County, merchant bank advisers to Tesco, followed up the announcement with market purchases—acquiring 750,000 shares and taking the Tesco stake (including the pension fund holding) in Hillards to 8.3 per cent. At the first closing date, Tesco also received acceptances from holders of 3.1 per cent of Hillards shares.

The Yorkshire chain, however, still maintained yesterday that Tesco was underpaying. "At 400p we'd have had a heck of a struggle and at 365p-375p we would have been in difficulty," said Mr Hartley, "but they have pitched it just too low."

Hillards has already forecast pre-tax profits of £10.3m for the year to May 2, 1987, and is predicting "not less than" £15m in the following 12 months. The new paper terms give an exit PE of 27 on Hillards' current year earnings forecast and 19.5 on 1988 predictions. Analysts, however, still calculate that Tesco will still see modest earnings enhancement in 1987/8 if it wins the bid.

See Lex

# SE Asia turnround helps boost Inchcape to £86m

BY PHILIP COGGAN

A SHARP turnround in South East Asia and an improved performance from the motor vehicles division enabled Inchcape to raise pre-tax profits by 86 per cent last year and to increase its dividend for the first time since 1980.

In 1985, problems at B-Track in Malaysia, a supplier of heavy vehicles to the timber industry, caused the South East Asian businesses to incur record losses of £10.3m. But a recovery enabled the area to contribute £10.4m last year.

That turnround represented two-thirds of the near-£40m improvement in pre-tax profits, from £46.2m to £86.1m.

Inchcape developed a new corporate strategic plan last year, reducing its interests from 30 to 10 core businesses. Of those, investment will be concentrated on an inner core of five divisions while the others are expected to grow with their markets.

Breaking down the profits by division, automotives provided the bulk, contributing £60.1m, up from £23.5m in the previous year. That partly reflected the B-Track turnround, but there was also a rise of almost £15m in profits from the motor vehicle business, which benefited from increased margins at Toyota GB and a stronger Belgian franc.

Of the other inner core divisions, insurance broking profits increased from £7.9m to £11.4m, despite the latest acquisition, Clarkson Puckle, being acquired too late to make a contribution. Business machines profits fell back from £2.8m to £2m, after strong sales to China were not repeated.

Inspection and testing profits rose from £1.4m to £4.9m and the contribution from buying offices was up to £300,000 from £100,000.

The outer core businesses showed a chequered performance. Marketing and distribution turned a £1.3m loss into a £3.6m profit and timber increased its contribution from £2.1m to £4m, but elsewhere profits were down in tea (£7m against £9.4m), shipping agencies (£4.6m against £6.8m) and wines and spirits (£6.8m against £7.9m).

Other businesses lost £6.6m against a loss of £800,000 in the previous year but the bulk of these have been sold, with the exception of the electrical contracting business in Hong Kong, which may be disposed of this year. Below the line, there was an extraordinary loss of £23.9m of which about 75 per cent was due to write-offs on the sale of the Gray Mackenzie fleet in the Gulf.

Further disposals in the year included Mackenzie of Kenya, Marshall Electronics and the assets of aviation companies in the US and Singapore.

Apart from South East Asia, the other regions to show significant profits shifts were the Americas, which increased their contribution from £2.3m to £8.2m, Europe which improved from £8.3m to £13.6m and the UK, up from £20.2m to £27.5m.

Group turnover rose by 9 per cent to a little less than £2bn (£1.83bn) and profits included contributions of £17.2m (£16.8m) from associated companies. Although finance charges were down to £24m (£28.9m), gearing was slightly higher at 54 per cent (52 per cent).

A sharp fall in the tax rate from 73 per cent to 45 per cent helped earnings per share more than double to 50.2p (20.4p). News of the earnings improvement and the proposed increased final dividend of 13.85p, up from 11p, making 21p (18.15p) in total, helped push the shares up 33p to 639p in a difficult market.

See Lex

## Charter Consol Matthey stake rises

Charter Consolidated, mining, manufacturing and investment group, said yesterday it had exercised the conversion rights of its holding of 8 per cent cumulative preference shares in Johnson Matthey, precious metals company.

The move increases Charter's holding of Johnson ordinary shares from 27.3 per cent to 38.7 per cent. However, if all holders of convertible preference shares, share warrants and share options either convert or subscribe for ordinary shares, the stake would be reduced to 34.8 per cent.

## Cityvision

Stock Exchange dealings in shares of Cityvision, the USM-quoted distributor of pre-recorded video tapes, were temporarily suspended at 62p yesterday.

## Ling buy-in at MacLellan

BY CLAY HARRIS

MR PHILIP LING has achieved his long-sought management buy-in, albeit in a more conventional manner and on a smaller scale than his unsuccessful £201m bid for Simon Engineering earlier this year.

Haleworth Holdings, a private company in which Mr Ling holds about 10 per cent, is to buy 29.8 per cent of P. and W. MacLellan, the agricultural products distributor. Mr Ling will become executive chairman of MacLellan.

The 100p cash tender for 2.75m shares values MacLellan at about £9.2m. Haleworth has no intention to raise its stake above 29.8 per cent. MacLellan shares added 19½p to 119p.

Mr Ling plans to build new businesses within MacLellan, which now includes only the Spalding agricultural supplies operation and property investment in the wake of the sale of industrial supplies and computer businesses at the end of last year.

In 1985, MacLellan achieved pre-tax profits of £631,000 on turnover of £10.6m in 1985.

Haleworth was formed last year to buy about 20 engineering companies from Williams Holdings, the industrial group.

Directors and certain other shareholders representing 53 per cent of MacLellan's ordinary capital have agreed to tender sufficient shares to ensure the success of the tender.

TUNSTAL GROUP has purchased for £1.63m in cash, certain fixed assets and trading stock of Ademco-Sontrix, a wholly owned UK subsidiary of Pittway Corporation of the US. In addition, it has acquired Sunthorne Electronics and two non-trading companies, wholly owned by Ademco-Sontrix for £21,000 in cash.

# Hillsdown plans to meet Pittards

By Nikki Tait

HILLSDOWN HOLDINGS the aquisitive food-to-furniture group which over the weekend picked up a near-15 per cent stake in leather group, Garnar Booth, is to meet Pittards, the fellow leather manufacturer whom Garnar is planning to merge, later today.

Yesterday, both sides remained non-committal about their intentions and response. "Our options are open," said Mr Harry Solomon, chairman of Hillsdown — adding "perhaps we can do something with Pittards."

In equally placatory tones, Pittards' chairman, Mr David Macdonald, said he viewed the Hillsdown stake as "a sound and positive change" describing the holder as "an excellent company, with a record of being a supportive shareholder."

However, he warned that if Hillsdown were to make a rival bid it might run into the same monopoly queries which Strong & Fisher, the third leather group which made a £20m offer for Garnar last year and sold Hillsdown the bulk of its stake, encountered.

Together Hillsdown and Garnar would have nine of the UK's 31 fellmongeries, calculates Pittards, and account for about 30 per cent of the UK sheepskin kill.

Yesterday, Hillsdown had already contacted Garnar itself. Sir Kenneth Newton, the company's chairman, said that there might be further discussions during the week but that at present the company was still recommending the Pittard offer. This closes on Friday.

Hillsdown, itself, made only a passing reference to the acquisition of the stake at yesterday's annual meeting.

Mr Solomon told the 100-odd shareholders who turned out in north London that the company had started the year well and that results were encouraging.

Yesterday, Garnar shares jumped 12p to 246p on news of the developments. With Pittard also up 1p to 285p, its recommended offer values Garnar at 242p.

# Menzies up 16% despite fall in news distribution

John Menzies, the newsagent, bookseller and stationer whose news wholesaling business was hit by the loss of the News International's London distribution, produced pre-tax profits 16 per cent higher at £22.7m for 1986-87.

Turnover to January 31 rose from £546.9m to £595.7m and earnings per share rose by 26 per cent from 19.7p to 24.9p.

Mr John Menzies, chairman, said the figures represented a good performance in a year when circumstances had not been in the company's favour.

News wholesaling, the company's largest activity, had seen few price increases. The introduction of new technology to Fleet Street and the launching of new newspapers had seen the loss of News International distribution in London.

Retail activities had become increasingly important to group results, he said, with a healthy profits increase for the John Menzies chain, good Christmas sales and strong trading in the new year.

The benefit of lower pension funding requirements in the UK had been largely offset by the charges incurred in establishing Early Learning Centre's US launch.

Ten US outlets had been opened in time for Christmas trading, and the company planned to accelerate development of the chain following encouraging results.

The chain's 132 UK outlets had produced sales and profits above expectations, he said.

John Menzies Library Services consolidated its position in North America with last May's acquisition of Readmore, the New York subscriptions agency. The additional services and marketing synergy had shown early benefits.

The company planned to expand its leisure activities, said Mr Menzies. The potential of Early Learning in the US and Europe gave the group an added dimension for the future.

Tax rose slightly from £8.4m to £8.7m, and attributable profit was £14m (£11.1m). A final dividend of 3.15p per share (2.7p) makes a total of 4.65p, an increase of 15 per cent over 1985's figure of 4.05p.

## ● comment

No profit or turnover breakdown by Menzies but the wholesaling operations, still the core of the group, obviously took a nasty knock from the loss of around £15m of News International turnover. In the circumstances, the profits increase was a good performance, although it pipped market estimates only by dint of the £800,000 reduced pension contribution and the shares closed up 14p at 394p. The outlook for wholesaling this year is unlikely to improve unless cover prices start edging up and retailing is set for a steady rather than spectacular increase. For the long term, growth hopes are pinned on Early Learning, but the attentions of Toys'r'Us and Children's World may cramp expansion in the UK and profits in the US will be held back for two years, whilst the programme of store openings is under way. This year, £25m pre-tax looks feasible which makes the shares appear fairly valued on a prospective p/e of 13.5.

# Valor cuts franchise activity

BY CLAY HARRIS

Valor, the gas and electrical appliances group, is running down its kitchen franchise sales network only three months after putting another kitchen subsidiary into voluntary liquidation with debts of more than £7.6m.

Lifestyle Kitchens UK, a wholly owned Valor subsidiary, has terminated its supply agreement with one of two remaining franchise holders.

It has suggested to the other that it might like to buy units direct from United Kitchens, Valor's manufacturing subsidiary. Four other franchise holders had already stopped trading in Lifestyle products.

Lifestyle was established in April last year, two months after Major Circle, another Valor subsidiary, stopped taking orders. When Valor put Major Circle into voluntary liquidation in January, it said that some of the subsidiary's assets had been sold at market price to Lifestyle.

Valor said yesterday that the termination of all its franchises did not mean that Lifestyle had ceased trading. "It's just a normal thing that happens in franchise businesses," said Mrs Phyllis Oberman, company spokesman.

Lifestyle will continue to trade from Taunton, where United is also based. It would supply kitchen installers who wished to deal with it on a non-franchise basis and did not exclude looking for new franchise holders in future, Mrs Oberman said.

The developments at Lifestyle had no financial implications for Valor, she said. Valor has stated that it will take an extraordinary charge estimated at £700,000 as a result of the Major Circle liquidation, which is proceeding.

All but about £550,000 of Major Circle's debts were owed to other companies in the Valor group.

● Valor last night asked for its shares to be suspended pending announcement of a major acquisition. This is expected to be at least 10 days away. "We've got to get full details ready for acquisition," said Mr Michael Montague, chairman.

# Coats offer for Youghal

Coats Viyella, the expansive textiles group, yesterday unveiled plans for an agreed offer for Youghal Carpets, the troubled Irish carpets manufacturer. The cash offer values Youghal at IR£583,000

Youghal's share price, which has soared in recent months fuelled by bid speculation, slumped by 16p to 9p yesterday when the terms of the takeover proved to be less extravagant than the speculators had hoped.

Coats, advised by N. M. Rothschild, has offered IR1p in cash for each ordinary share, with the alternative of a convertible/redeemable note with a nominal value of 10p for one Coats Viyella share or 10p 10 years hence.

# UK COMPANY NEWS

## Farnell at record £23.5m despite difficult trading

MR RAYMOND KIDD, chairman of *Farnell Electronics*, said yesterday that despite a persisitence of difficult trading conditions both turnover and profits had reached record levels in 1986-87.

He added, furthermore, that new business activities had been undertaken which, while not contributing significantly this year, were expected to build up in the future.

Mr Kidd also said that market conditions were improving—the Leeds-based group is an electronic components distributor and manufacturer of power supplies.

Turnover for the past year, to February 1, improved from *£85.82m to £98.29m* and at the pre-tax level profits increased to *£23.45m*, an advance of 6 per cent over the previous year's £22.07m.

Mr Kidd said the UK market for electronic component distribution had again been weak for the whole year and turnover growth at 14.5 per cent had also been exceeded by volume growth.

A similar growth pattern for manufacturing and wholesaling had affected the remainder of the trading companies.

A divisional breakdown of turnover and profits shows: electronic component distribution £61.32m (£53.87m) and £15.63m (£15.7m), electronic manufacture and marketing £30.3m (£26.15m) and £4.07m (£3.66m) and *consumer goods distribution* £6.67m (£5.81m) and £197,000 (£217,000). Others, including parent company, contributed profits of £3.55m (£2.5m).

Pre-tax profits were struck after providing £808,000 (£836,000) for the employee share scheme.

An increase of £1.2m in interest received on short term deposits reflected an increase in funds available and a policy of *containing stock increases pending* an expected upturn in business.

After tax of £8.41m (£8.55m) and minorities of £108,000 (£47,000) available earnings *emerged at £14.93m compared* with 1985-86's £13.48m.

Earnings per 5p share rose by 1.1p to 11.9p and a final dividend of 1.5p raises the total from 2.2p to 2.8p. Dividend payments will absorb £3.53m (£2.76m) and leave a retained *balance of £11.41m* (£10.72m).

The group completed the acquisition of Astronic GmbH last July and in January of this year it purchased a 33.3 per cent interest in Hertfordshire-based Terrafix. In February it raised its stake in USM quoted Wayne Kerr to 10 per cent.

### BOARD MEETINGS

Interims: Ensign Trust, Majedie Investments, National Home Loans Corporation, Scottish and Cities Investment Trust, Wellcome.

Finals: Barr and Wallace Arnold Trust, *Ex-Lands, Moss Brothers*, Office and Electronic Machines, Robner, Scott and Robertson, Tootal, Walker Greenbank, Ward Group.

FUTURE DATES

| | |
|---|---|
| **Interims:** | |
| Dale Simpson | Apr. 29 |
| English China Clays | May 14 |
| Finlay (James) | Apr. 30 |
| **Finals:** | |
| Epicure | Apr. 30 |
| Forward Group | May 6 |
| Silentnight | May 5 |
| Southend Stadium | Apr. 29 |

### • comment

Farnell's figures were much in line with forecasts but the company's downbeat statement did little to encourage optimism and the shares shed 11p to 214p. The price continues to give the company a rating which owes more to memories of the heady growth rates of 1983-84 than the immediate outlook: Farnell's markets are showing signs of a cyclical improvement but few expect the company to make much more than £26m this year, putting the shares on a prospective price/earnings multiple of 16. *Although Farnell has done* well to improve profits at all in the face *of the difficult* market conditions, it needs to produce a growth rate of more than 11 per cent to justify a premium to the wider market. An acquisition or two might help, but on this score it is no particular comfort to see the company with a 10 per cent stake in Wayne Kerr, which earlier this month reported a 58 per cent fall in pre-tax profits to £1.3m.

## Ronald Martin profit jumps to £1.5m and £3m placing

*Ronald Martin Groome*, office equipment and *stationery supplier*, yesterday revealed a substantial expansion in *full year* profits and details of a proposed £3m placing.

The improvement in trading reported by the group at the interim stage was carried through to December's year-end with the result that taxable profits advanced 66 per cent to a record £1.5m (£904,000), on turnover 82 per cent ahead at £16.17m (£8.89m).

Tax took £559,000 compared with £382,000 last time. Earnings per 10p share came out at 11.9p (7.4p).

A final dividend of 2.5p (0.5p) per share is proposed making a total of 4p for the year. Mr Martin Abramson, said that profitable growth had continued in both the retailing division and the RMS wholesaling operation. The acquisition of Frank Groome Group, a Nottinghamshire-based retail office equipment distributor, in 1986 had benefited the second half performance.

The planned growth of the group, Mr Abramson added, had continued with the acquisition of Typex Business Machines in April of this year. A vendor placing of 131,579 new Ronald Martin Groome ordinary at 190p per share was proposed to satisfy the initial consideration *of £250,000.*

The RMS division had also negtiated an *exclusive deal* with Platignum for the use of that name on a range of *RMS* non-pen merchandise. This would provide *RMS with* the opportunity of being able to sell recognised branded *goods* for the first time, he said.

To fund future expansion, Panmure Gordon, the stockbrokers, will place 1.63m new ordinary shares with various institutions at 190p per share to raise about £3m. Existing shareholders are to be offered a claw-back of 1 new share at the *placing price* for every 5 held as at April 17.

Mr Abramson stated that the group had made an excellent start to the current year with strongly improved turnover.

## Clayton, Son

Clayton, Son & Co (Holdings), engineer, lifted pre-tax profits from £0.62m to £1.06m in 1986. The final dividend is raised to 7p for a total 2p higher at 9p.

The group's UK companies contributed £1.05m (£592,865) while share of associates profits added £17,156 (£29,347). Tax charge was £290,892 (£178,924) and there was a minority credit of £14,725 (£56,800 debit).

## SHARE STAKES

Changes in company share stakes anounced over the past week include:

**Aaronson Bros**—On April 13 director R. Aaronson acquired 20,000 ordinary at 122p.

**Abaco Investments** — As a result of recent purchases, Bricomin Investments, a wholly owned subsidiary of British and Commonwealth *Holdings* is now beneficially interested in 43,991,938 ordinary (23.46 per cent).

**Apricot Computers** — On November 25 director A. Bryan *disposed of 50,000* ordinary at 56p. He now holds 936,815 shares.

**Arlington Securities** — The following directors sold ordinary shares at 240p on April 13: Lord Keith of Castleacre (500,000), H. R. Mould (750,000), P. L. Vaughan (625,310), G. M. Macechern (352,970) and H. J. M. Price (100,000).

**Associated Newspapers**—Lord Rothermere purchased 25,000 ordinary at 490p.

**Barlow Clowes Nominees** — Tifa AG on April 13 sold 6.84m ordinary shares.

**A. G. Barr**—Director and trustee W. R. G. Barr acquired 50,000 ordinary and now holds 1,102,267 shares.

**Bread Street Group**—The following directors sold shares: D. A. Landau 679,578 at 55p, and P. N. K. Beswick 669,578 at 55p.

**CH Industries**—The following directors holdings are: T. M. Hearley 1,555,000 beneficial (5.41 per cent) and J. R. Kinder 55,857 beneficial shares (0.19 per cent).

**Gee/Rosen**—The following *directors disposed of shares*: D. Gee 81,125, R. Rosen 70,145, J. Goodman 26,692 and A. Cooper 7,038 shares.

**Greenwich Resources** — On April 6 director J. T. Clarke sold 100,000 ordinary at 2.46p.

**Imry International**—*Director* M. T. Myers has acquired 213,077 ordinary at 470p and *now holds* 1,921,462 (7.5 per cent).

**International Signal and Control Group**—On April 8 Sir David Checketts sold 51,500 shares at 273p.

**Invergordon Distillers** — Director C. G. Greig sold 11,400 shares at 173p and purchased 11,400 at 173½p.

**Kellock Trust**—Director K. J. Rawlings sold 500,000 and 250,000 ordinary at 49p and 45p respectively and now holds 1,331,195 ordinary (0.8 per cent).

**Legal & General Group**—Director J. M. Skae sold 16,750 ordinary at 79p and 24,750 ordinary at 100.67p on April 24 and now *holds* 41,500 shares.

**Lowe Howard-Spink and Bell**—On April 16 *director* D. B. A. Jones sold 16,525 shares at 420p each and now holds 240,000.

**Malmset Holdings**—on April 13 director G. Towler sold 12,500 shares at 179-172p, and Mrs E. Towler sold 12,500 at 179-172p.

**Micragen**—Director A. F. C. Browning disposed of 50,000 shares at 297p each.

**Mitchell Cotts**—on April 16, director A. G. Alcock sold 10,000 ordinary at 57½p per share.

***Multitone***—*Director* I. H. Karten purchased 17,500 ordinary *at* 86p and 20,000 at *87p*—he now holds 3,439,752 ordinary. Director J. M. Spiers sold 17,500 ordinary at 86p and no longer holds any shares.

**Owners Abroad Group**—on April 10 chairman N. Scott purchased 50,000 ordinary at 70p and now holds 6,635,600 shares.

**Regalian** — Director *J. L.* Goldstone sold 30,000 shares at 198p each.

**Sintrom** — On April 24 chairman T. Dalzell purchased 75,000 shares at 105p and now holds 4,379,851 shares.

# Mountleigh buys former Times site for £22.5m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Mountleigh, the West Yorkshire property group, yesterday bought the former home of The Times newspaper from Electricity Supply Nominees for £22.5m.

It also signed the agreements for a previously announced £110m multi-option loan facility, arranged by the Union Bank of Switzerland.

On the markets the shares responded to the deals, in lively trading, by rising 5p to 272p.

Electricity Supply Nominees is being paid in cash. Mountleigh is providing £7.55m from its own resources. The balance has been provided by the placement, yesterday morning by Phillips and Drew, of 5.928m new shares at a price of 255p, a discount of 12p to the market price before the purchase announcement. The issue was oversubscribed.

The new shares are coming from a bank of 25.4m authorised but unissued shares set up last February when Mountleigh offered terms for the early conversion of £7m worth of 9.75 per cent convertible unsecured loan stock.

Yesterday's share issue was in fact the third move Mountleigh has made this year in changing the structure of its equity. In addition to the conversion of the loan stock, it launched last February a SwFr 125m convertible bond issue.

The group's latest acquisition offers an immediate yield of nearly 10 per cent. The building, which has 195,000 square feet of office space fully let but not fully occupied, is one of two at New Printing House Square, once the central London home of The Times and the Sunday Times.

News International, holds the freehold of the Sunday Times building but has a lease to the year 2025 on the building Electricity Supply Nominees has sold to Mountleigh. The rent at £11.40 a square foot provides annual income of £2.22m.

But there is a rent review in 1990 which should increase Mountleigh's yield to nearer 14 per cent. It also has the prospect of even higher revenue because there are in the building three basement floors, each of 30,000 square feet, once destined for printing, which are unused and produce virtually no rent.

Should the Conservative Party be re-elected at the next election and legislate rates reform, then there is the possibility that the rates on the building could be reduced. New Printing House Square is in the high rates borough of Camden.

Subsequent to the departure of The Times to London Docklands last year, News International sub-let a large part of the building to the Manpower Services Commission.

Purchase of the building by Mountleigh brings its financial year to a rousing finish. It is expected that by the end of the month—Mountleigh has an April year-end—proceeds from the disposal of the United Real portfolio, bought in 1986, could be around £100m. Save for the Swiss francs convertible bond, the balance sheet should show very little net debt.

# Select Appoints. coming to the USM

By Alice Rawsthorn

Select Appointments, a recruitment consultancy, is joining the Unlisted Securities Market through a placing of shares which will value its business at £13.5m.

In the UK Select operates from 25 branches in the south of England. Overseas it has a branch in New York and two in France.

The company was formed in 1983 when Mr Robert Klapp, the present chairman and managing director, took over two employment agencies established by his wife, Ms Marianna Dorfmann.

Select secured launch capital from the Business Expansion Scheme, but bought itself out of the scheme—becoming the first concern to do so—last year in order to expand overseas and to seek a public quotation.

The company operated at a loss for its first 18 months, but produced pre-profits of £1.18m on turnover of £8.97m in its last financial year, to April 5.

In the placing Select will issue 2.05m shares at 135p each. This puts the company on a fully diluted p/e ration of 20.1. Stockbrokers to the issue are Kleinwort Grieveson.

# Burst of acceptance lifts Williams' stake in Norcros to 18.7%

BY CLAY HARRIS

Williams Holdings said last night that it controlled 18.7 per cent of Norcros, the industrial holding group for which its £570m hostile takeover bid closes tomorrow.

Acceptances had risen to 13.5 per cent from only 0.18 per cent at the first closing date. Williams and its associates have also raised their own holdings from 3.26 per cent to 5.2 per cent.

The burst of acceptances made Williams "fairly happy at this stage," Mr Brian McGowan, managing director, said yesterday. The Williams bid also picked up a recommendation from stockbrokers James Capel.

Mr Terry Simpson, Norcros chief executive, agreed with Mr McGowan that the result was likely to be close but "we believe that the edge is on our side."

Norcros yesterday moved to rebut alleged mis-statements by the opposing party. It said that its profit forecast for the current year included a full pension-fund contribution, that it expected no significant increase in its "conservative" assumption of a 32.5 per cent tax charge and that estimates did not include abnormal profits on property development.

It also expected its gearing to fall from 40 per cent at March 31, said that stocks had been rdeuced at Johnson Tiles and that its investment in Nigeria represented only 1.25 per cent of shareholders' funds.

Both companies' shares advanced yesterday. Williams added 8p to 773p, where its share offer values Norcros at 443p, against yesterday's market price of 417p, up 2p. There is a cash alternative of 400p.

## Dencora up 73%

Dencora, property investor and developer, produced pre-tax profits for 1986 up 73 per cent from £1.05m to £1.82m on turnover 20 per cent higher at £15.78m (£13.16m).

After tax of £455,000 (nil) and extraordinary profit of £152,000 (£6,000), earnings rose from 7.8p to 8.1p. Directors are recommending a dividend for the year of 2.5p, up from 1985's total of 2p.



# USM placing will value Colorgraphic at £13m

BY ALICE RAWSTHORN

Colorgraphic, one of the largest printers of advertising literature in the UK, yesterday announced plans to go public on the Unlisted Securities Market. After the placing the company will be valued at £13m.

The company—which is involved with the production of innovative advertising literature such as coupons, mail shots and application forms—intends to go public in order to eliminate its borrowings and to provide capital to finance further expansion.

Colorgraphic, through Albert E. Sharp, will place 3.39m shares, or 32.6 per cent of its equity, at 125p a share. The placing price puts the company on a p/e multiple of 14.7 calculated on earnings per share of 8.48p in 1986. The proceeds will be used by the company to eradicate borrowings.

In 1986, its last financial year, Colorgraphic produced pre-tax profits of £1.12m (£425,000) on turnover of £20.02m (£17.59m). The company has increased both profits and turnover each year for the last five years with the exception of 1983 when the business was adversely affected by the cost involved in relocating a production plant and by the disruption caused by the installation of new machinery.

Colorgraphic considers that its ability to produce innovative and imaginative advertising literature has been crucial to its growth so far. After the placing it intends to acquire other businesses both in its existing area of activity and in related fields.

# Great Southern purchase

BY ALICE RAWSTHORN

Great Southern Group, one of the trio of fast growing funeral services businesses quoted on the USM, has acquired two new funeral directors for £700,000 in cash.

The group has bought one business in Birmingham, E. F. Edwards, which will link up with its crematorium in the city; and another, The House of Grace of Crowthorne, in Berkshire which will form part of a group of businesses already operating in the area.

Since it went public on the USM last year Great Southern has embarked upon a series of acquisitions. It purchased four new businesses last year and two earlier in the present year. According to Mr Colin Field, managing director of its funeral directing division, Great Southern is now in "active negotiation for seven more acquisitions.

Great Southerns share price rose by 5½p to 270p on the announcement yesterday.

# Allied London up 23%

Allied London Properties saw interim pre-tax profits increase by 23 per cent to £1.77m, compared with £1.44m. And Mr M. Leigh, chairman, said that all activities were continuing satisfactorily and expected that full year profits would also be ahead.

In the present half Mr Leigh said that two important acquisitions had been made for a total of £17.75m. In Harlow it had bought a 93,000 sq ft office building and contracts had been exchanged for six retail warehouse stores and garden centres let to B & Q and Comet.

Together they would add £1.6m to rental income in a full year.

In the six months to the end of December 1986 income from investment properties totalled £3.25m (£2.7m) with trading profit adding a further £1.99m (£1.7m). Last time there was other income of £49,000. The pre-tax figure was struck after administration expenses of £1.77m (£1.52m) and increased interest charges of £1.69m (£1.49m).

The tax charge was £433,000 (£265,000) giving earnings per 10p share of 2.63p (2.3p) or 2.19p (1.95p) fully diluted. The interim payment is being increased to 0.2p against 0.1775p. Last year a total of 1.75p was paid on pre-tax profits of £4.05m.

# S. Lyles ahead midterm

Mr John Lyles, chairman of S. Lyles, Dewsbury-based yarn spinner and dyer, yesterday reported marginally higher profits for the half year to end-December.

The first three months of the second half saw a temporary lull in home market demand, but Mr Lyles said current activity was brisk, although the final outcome for the year would depend on the final three months' performance.

A critical look at all areas of activity had resulted in a number of changes, some of which had already been implemented. Mr Lyles said that substantial benefits would accrue and would be fully reflected in next year's results.

Turnover for the opening six months slipped from £4.94m to £4.32m, but at the pre-tax level profits edged ahead from £260,000 to £266,000.

Tax accounted for £93,000 (£101,000) to leave net profits at £173,000 compared with £159,000.

Earnings emerged at 4.21p (3.89p) from which a same-again interim dividend of 2.75p is being paid.

## Lond Ents up 36%

London Entertainments, theatre production and management company, boosted its pre-tax profits by 36 per cent from £184,913 to £251,695 on higher turnover of £5.27m (£3.83m).

Tax rose from £56,822 to £88,758 and earnings per share were 4.98p, up from 3.49p.

Directors said the company was continuing with theatrical ventures. Trading income showed an increase over the same period in 1985.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div | Total for year | Total last year |
|---|---|---|---|---|---|
| Abelscot¶ | 3.5 | May 28 | — | 3.5 | — |
| Allied London Props int | 0.2 | July 3 | 0.18 | — | 1.75 |
| James Beattie | 3.45 | July 1 | 2.66 | 3.45 | 2.66 |
| Chepstow Racecourse... | 1 | — | 1 | 1 | 1 |
| Dencora‡ | 2.5 | July 1 | 2 | 2.5 | 2 |
| Farnell | 1.5 | July 1 | 1.2 | 2.8 | 2.2 |
| Inchcape | 13.85 | July 1 | 11 | 21 | 18.15 |
| Jones Group | 6 | — | 5.5 | 8.5 | 8 |
| Lowland Investment int | 1.4 | June 17 | 1.2 | — | 3.6 |
| S. Lyles int | 2.75 | June 8 | 2.75 | — | 5.75 |
| Ron Martin Groome‡ .. | 2.5 | July 1 | 9.5 | 4 | 0.5 |
| John Menzies | 3.15 | — | 2.7 | 4.65 | 4.05 |
| Prestwick int | nil | — | 0.5 | — | 0.5 |
| SAC Intnl‡† int | 1 | June 19 | 0.65 | — | 2 |
| Viking Resources | 1.45 | June 23 | 1.45 | 2 | 2 |

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market stock.

# SUN ALLIANCE INSURANCE GROUP

**COMMENTS BY THE CHAIRMAN – H. U. A. LAMBERT**

After the painful and disappointing experiences of the early 1980's, I am pleased to report a year of strong recovery in 1986 with profits at £180.4 million pre-tax, the largest yet recorded by the Group. The trend of rates to harden has continued in many, but not all, sectors of the market. This is one consequence of many companies suffering overall insurance losses as investment income fails to match underwriting deficits, the sharp reduction in reinsurance capacity, and the continuing deterioration in many types of risk. Against this background the Group has continued its policy of striving to improve the quality of its business, and completing the integration of the Phoenix.

It is satisfactory to see the benefits of the merger coming through strongly. Important decisions have been taken to consolidate our Home Division computer operations on the fine modern centre at Lennox Wood. We shall then have most of our Home Division business in one portfolio on a single system this year. The consummation of these tasks will represent a splendid achievement by our Management Services staff, and enable us to sharpen our service to our customers and agents and trim our expense ratios.

In the home market in the first full year after the ending of the fire tariff our results have been reasonably maintained and might have been better still but for a number of exceptionally large claims. We have gained from careful selectivity and emphasis on measures for risk improvement no less than from rate increases. The personal sector account, although greatly improved, was once again hard hit by a long cold spell in February, and the pattern has been repeated in 1987 with some of the lowest temperatures since records began being registered in the south east of England, demonstrating the pitiful inadequacy of much of the house insulation and plumbing in this country. Insurers suffer nowadays to an ever increasing degree from crime, as recently published statistics show. There are now more than three million notifiable offences every year, of which nearly three in four involve theft, burglary or the handling of stolen goods. It is inevitable that premiums must reflect this shocking state of affairs.

The motor account remains extremely troublesome. The majority of this business is placed on the sole criterion of price. If we are to continue without levels of loss that are unacceptable, rates must rise further and it will be necessary to be more selective in the business we take on and more efficient in its handling. A major reorganisation has been put in hand which will help us to meet competition likely to be even keener as banks and others enter the lists.

The Marine and Aviation Divisions have both done well, the former in a rather better underwriting climate, the latter because civil airliner disasters were less costly than in 1985. The shipping industry remains depressed and increased competition seems likely to make 1987 more difficult.

Overseas there was in most countries a noticeable recovery in our business, although it is taking longer than we hoped to restore health in Australia and the Netherlands in particular. But important progress has been made in North America.

Once again the Life Division, with an increase of 30%, has made a splendid contribution to profits. This is much to the credit of all concerned, because the work involved in integration was some handicap to developing sales in the early part of the year. However, mortgage business, single premium pensions and conventional endowment products have shown strong growth, and it is especially pleasing to record the success of our direct sales and marketing effort.

For two years our investment income suffered the cost of financing the purchase of the Phoenix. With these transactions now behind us the expertise of our specialists is clearly apparent in the accounts, with a satisfactory growth in income and a solid addition to shareholders' funds, to which the strength of world stock markets has naturally contributed. Much is made by critics of the City of the alleged short-term perspectives of institutional fund managers and, without doubt, quite a few are driven by the performance tables which the financial press loves to print but which themselves can be misleading. The consequences can often show in their response to the hostile takeover bids which have captured so many headlines. Insurance companies tend to look to more distant horizons. To them long-term good management and progressive growth are usually more important than immediate gains, and their votes are seldom used without meeting and assessing the protagonists.

DIVIDEND

The results for the year justify an increase in the distribution to shareholders. Your Board has accordingly resolved to declare a dividend of 23.5p per share compared with 17.5p last year. An interim dividend of 7.5p was paid in January and the final dividend of 16p will be paid on the 6th July.

CONCLUSION

If the Group has seen benefits from the less unfavourable climate in which it has been operating, these opportunities are only turned into solid profit by the strengths and application of all our staff. Our much improved results are a tribute to their high professional qualities, industry, and marketing skills backed by a wide range of essential services in finance, planning, computery, and personnel.

**SUMMARY OF GROUP RESULTS 1986**

| | 1986 £m | 1985 £m |
|---|---|---|
| **PREMIUM INCOME** | | |
| General insurance | 1,994.4 | 1,778.5 |
| Long-term insurance | 704.5 | 576.6 |
| | 2,698.9 | 2,355.1 |
| **PROFIT AND LOSS ACCOUNT** | | |
| General insurance underwriting loss | (78.3) | (183.4) |
| Long-term insurance profits | 27.3 | 20.9 |
| Investment and other income | 231.4 | 200.2 |
| Profit before taxation | 180.4 | 37.7 |
| Taxation | 43.3 | 2.8 |
| Minority interests | 10.5 | 7.2 |
| Profit attributable to shareholders | 126.6 | 27.7 |
| Dividend | 46.4 | 34.5 |
| Retained profits transfer | 80.2 | (6.8) |
| Earnings per share | 64.2p | 14.0p |
| Dividend per share | 23.5p | 17.5p |

**TERRITORIAL ANALYSIS**

| GENERAL INSURANCE | 1986 Premium income £m | 1986 Under-writing result £m | 1985 Premium income £m | 1985 Under-writing result £m |
|---|---|---|---|---|
| United Kingdom and Ireland | 1,001.8 | (16.1) | 824.5 | (71.0) |
| Europe | 257.4 | (25.7) | 199.1 | (30.8) |
| U.S.A. | 234.2 | (7.4) | 180.2 | (18.0) |
| Canada | 119.0 | 0.2 | 92.8 | (17.8) |
| Australia | 63.6 | (17.6) | 66.5 | (16.7) |
| Other overseas areas | 133.3 | (4.8) | 120.8 | (11.7) |
| Reinsurance | 29.5 | (9.1) | 29.2 | (14.8) |
| Marine and Aviation (worldwide) | 164.6 | 2.2 | 146.4 | (2.6) |
| | 1,994.4 | (78.3) | 1,659.5 | (183.4) |
| Reinsurance from Chubb Corporation | — | — | 119.0 | — |
| | 1,994.4 | (78.3) | 1,778.5 | (183.4) |

| LONG-TERM INSURANCE | 1986 Premium income £m | 1986 Share-holders' profits £m | 1985 Premium income £m | 1985 Share-holders' profits £m |
|---|---|---|---|---|
| United Kingdom | 481.4 | 23.2 | 405.7 | 19.3 |
| Europe | 151.8 | 3.5 | 136.3 | 1.1 |
| Australia | 57.1 | 0.2 | 22.5 | 0.1 |
| Other overseas areas | 14.2 | 0.4 | 12.1 | 0.4 |
| | 704.5 | 27.3 | 576.6 | 20.9 |

**The Annual General Meeting of Sun Alliance and London Insurance plc will be held at 12.30 p.m. on 20th May, 1987 at the Head Office, Bartholomew Lane, London EC2.**

# UK COMPANY NEWS

## Acquisitions help lift SAC Intl. to £1.4m

SAC International, the USM quoted design engineering and support group, hoisted pre-tax profits by 88 per cent from £746,000 to £1.4m in the six months to February 28 1987. Turnover rose 45 per cent to £13.6m, with overseas trading again showing continued strong performance.

The result reflected organic profits growth of 40.5 per cent from existing businesses as well as the impact of the two significant acquisitions concluded in the past three months.

Group results included six months figures from Engineering Support Services and John Fenton (Engineers). Excluding these acquisitions, pre-tax profits were £1.05m, while comparative results on a fully merged basis were £1.03m.

SAC said the integration of both Fentons and ESS into its divisional operating structure was going well and both companies were already benefiting from being part of a larger organisation. The group's acquisition policy continued to be active.

With orders at record levels, the group looked forward with much confidence to the next six months.

Stated earnings per share were 5.44p (4.32p merged or 3.96p pre merger). The interim dividend is increased from 0.65p to 1p—last year's final was 1.35p.

## Prestwick reduces losses sharply at six months stage

Prestwick Holdings results for the half year ending January 31 1987 showed a maintenance of the recovery which started in April last year.

On the back of a 68 per cent rise in sales to £8.96m the company, engaged in the manufacture of printed circuit boards, was able to return operating profits for the period of £149,000 compared with previous losses of £1.42m.

Significantly higher depreciation and finance costs, offset partially by Selective Assistance Grants, left the company £851,000 in the red pre-tax, although the deficit at this level was well down on the previous years' £2.22m.

The directors said yesterday that sales in value terms for the past 12 months were now approaching pre-recession peaks and that the order intake over the same period was at record levels.

In the past year management resolve had been to complete the three-year £14m capital expansion programme by the end of the current financial year.

Expenditure for 1986-87 had been focused on the integration and final commissioning of the fully-automated flow-line production facility. The directors said this expenditure had been funded from medium-term borrowings and the cash receivable from Government grants without recourse to the company's overdraft facilities which were unutilised at January 31.

It was pointed out that while some benefits of the expansion programme were being realised, the full benefits could not be expected until there was a consistent improvement in volume.

First half loss per 5p share emerged at 4.3p (6.8p). Like last year's final, the interim is being omitted (0.5p).

## Lowland Investment rises

Lowland Investment Company, investment trust, raised net asset value per share at end March, 1987 to 193.5p (139.8p) after prior charges at par, or to 193.8p (138.1p) after charges at market value.

After-tax revenue for the half year to March 31, was £459,772 (£346,872) and earnings per 25p share came to 1.96p (1.48p). The interim dividend is stepped up to 1.4p (1.2p) and a final at least maintained at 2.4p is forecast.

Total income was £863,159 (£698,734), before interest charges of £167,250 (£167,329) and administration expenses £41,527 (£31,502).

## Strong second half at Liberty

Liberty, the retailer, wholesaler, merchant converter and printer, recovered strongly in the second half of 1986-87 to report a pre-tax profit 13 per cent up at £3.96m against £3.5m.

At the halfway stage the company reported that profits had halved from £896,000 to £417,000 due to the strength of sterling and terrorism fears. But its UK shops ended up doing well—the London department store had its best trading day in its 111-year history on day one of its post Christmas sale—with trading profits for the year up from £1.82m to £2.17m and the converting and wholesaling side showing an improvement from £1.58m to £1.87m and net rent from properties up from £806,000 to £879,000.

The rest of the EEC reported a trading loss of £149,000 (profit of £125,000) due to the adverse performance of the Dutch store which underwent a major refurbishment. The company now had the advantage of an additional 50 per cent in selling space, the benefits of which should accrue in the current year. The French printworks, however, had another successful year benefiting in its production costs from lower oil prices.

US operations saw trading losses halved to £120,000 (loss of £242,000).

Currency borrowings were again adversely affected by the weakness of the pound but the company had reduced its exposure.

Sales and wholesale orders in the first two months of the current trading year show an improvement over the same period in 1986 and the directors confidently expect an improved level of profit in 1987.

Turnover for the year improved from £57.56m to £59.76m and trading profits emerged at £4.7m (£3.96m). The currency differences of UK companies amounted to a debit of £193,000 (debit of £142,000). There was no tax repayment supplement this time (£97,000) and interest took £548,000.

Tax charged was £1.64m (£1.57m) and minorities were £54,000 (£32,000). There were no extraordinary items (£45,000) leaving earnings per share to come out at 35.23p (29.28p).

The dividend is raised from 7.8p to 9p with a proposed final of 7.2p (6p). The board has decided to allocate £155,000 (£140,000) for the purchase of shares in the company to be distributed to eligible staff.

## Abelscot profits advance by 23%

Abelscot Group, a London-based graphic materials and equipment supplier which was one of the first entrants to the Third Market in January, yesterday reported 1986 pre-tax profits up 23 per cent from £396,000 to £488,000.

Turnover rose 8 per cent to £4m (£3.7m). Earnings per share were up to 12.1p (10.7p) and there is a first and final dividend of 3.5p.

Mr Michael Meyer, chairman, said the group's policy was to expand its geographical coverage and product portfolio for the graphic art and equipment markets by organic growth and by making suitable acquisitions of complementary businesses.

The group believed that this sector had above average growth potential due to the increasing importance of graphic arts products by the design industry. Most investments had been sold and this process would be completed this year.

Mr Terry Dickinson has been appointed a director and executive chairman of the group. Michael Meyer, presently non-executive chairman, will remain on the board as a non-executive director.

Mr Dickinson has acquired 160,000 shares in Abelscot from Emess Lighting. Emess now holds 1,295,794 shares (48.5 per cent) after disposing of 200,000 shares so as to comply with its stated intention to hold under 50 per cent of Abelscot's raised share capital. Emess said it did not intend to dispose of any further shares.

## TI sees improving profits continuing in year of transition

BY GRAHAM DELLER

TI Group's stated strategy of concentrating on international specialised engineering appears to be bearing fruit.

Total sales for the first quarter of the present financial year, after adjusting for disposals and acquisitions, were ahead of the same period in 1986, Mr R. E. Utiger, chairman, told shareholders at the annual meeting in London yesterday.

Some of the group's key engineering businesses had reported very satisfactory gains, he added, and the trend of improving group profitability had continued.

TI sold its small appliance activities, Russell Hobbs and Tower Housewares, to Polly Peck late last year, and has since sold Raleigh Industries to Derby International and the Glow-worm and Parkray heating businesses to Hepworth Ceramic.

It has received "an encouraging number of serious indications of interest in the remaining domestic appliance businesses." These include both Creda and New World, household names in the UK domestic appliance market.

Mr Utiger said he saw 1987 as a year of transition and TI should emerge as a strong international specialised engineering company positioned for growth.

## British Assets nav rises

The net asset value per share at British Assets Trust stood at 91.1p at end-March 1987 compared with 79.6p a year earlier.

Total income for the six months, comprising dividends, interest received and underwriting commission was unchanged at £8.42m while net revenue improved from £4.2m to £4.28m.

The directors have declared a second quarterly dividend of 0.575p (0.475p). For the year to September 1986 a total dividend of 2.05p was paid. Earnings for the period were marginally ahead at 1.09p (1.07p) per share.

## Berry Trust asset value rises sharply

Net asset value per 25p share of the Berry Trust stood at 328.8p at February 28 1987. That compared with 229.8p a year ago and with 296.2p at August 31 1986, the investment trust's last year-end.

The trust does not pay interim dividends but it is the board's intention to declare a dividend for the full year of not less than last time's 1.1p.

It remains optimistic for most world stockmarkets, particularly those of the UK and the US.

Total income for the half year to end-February declined from £1.59m to £1.36m. However, after interest, management expenses and tax, net profits worked through some £30,000 higher at £542,535.

Earnings per share emerged at 1.71p (1.62p).

## InfraRed lower

The costs of moving headquarters and setting up a new subsidiary hit InfraRed Associates in the year to the end of February 1987. On turnover up at $3.28m (£2.04m) against $2.67m, pre-tax profits for the US-based company which is quoted on the USM fell from $823,000 to $561,000.

Earnings per 10 cent share came out at 4.74 cents (7.67 cents) and the directors are proposing a single unchanged final payment of 2.15 cents.

## Upton shows recovery

E. Upton, department store operator, stayed firmly in the red in the year to January 27 1987 with pre-tax losses of £150,000, against loss of £202,000, although the second six months showed a recovery with a profit of nearly £50,000.

The figures included McKenna and Brown for 43 weeks and the directors stated that although the results were not yet up to best expectations the acquisition of McKenna had proved successful and the board was actively considering further proposals to broaden the trading base of the company.

Turnover rose 48 per cent last year to £6.85m (£4.63m); depreciation was marginally higher at £206,000 (£204,000) while interest charges were up from £93,000 to £116,000. Exceptional debits were down from £63,000 to £37,000. There were no extraordinary credits (£10,000) and minorities took £3,000 (nil) leaving a loss per share of 6p (11p loss) and a fully diluted loss of 4p (6p loss).

WAGON INDUSTRIAL Holdings is to acquire Wefco (Gainsborough) for £2.5m to be satisfied by £2.05m cash and the balance in shares.

## Ardmore for Third Market

Ardmore Petroleum, an Irish oil exploration company, yesterday announced plans to join the recently introduced Third Market through a share placing next week.

Ardmore was founded two years ago and is involved with on-shore exploration in Turkey and off-shore exploration in the Irish Republic. After the placing, scheduled for next Thursday, the company should be capitalised at I£6.6m (£6m).

Mr Michael Doherty, Ardmore's managing director, said the company had decided to go public in order to secure access to capital to fund the development of its existing operations and to expand into new international markets and into oil production.

In the placing Ardmore will issue 21.5m shares, or 32 per cent of its equity, at 10p a share. The placing will be handled by Goodbody James Capel. Dealings in the shares should begin on Thursday.

In the long term Ardmore plans to graduate to the Unlisted Securities Market or to the main stock market. Mr Doherty said that in the light of the company's short trading record—just two years—and the nature of its business, oil exploration, it had opted for the Third Market.

## Falcon profits trebled

THE SALE of unprofitable businesses helped Falcon Industries, the building and plastics group, to lift pre-tax profits substantially in 1986. Profits rose threefold from £222,000 to £684,000 on turnover reduced from £36.23m to £32.54m.

However, Mr Michael Hindmarch, chairman, said that Falcon technically could not pay a dividend until its position regarding negative revenue reserves had been corrected.

He said that during the year Falcon had completed its reorganisation strategy, disposing of loss-making businesses and under-utilised assets. Disposals comprised Jenks & Cattell, Burgon & Ball, and Kestrel Fasteners and Falcon would now concentrate on two profitable areas — building, through the Elliott-Medway Construction companies, and plastics, through Plantpak.

The building division's operating profit increased from £803,000 to £1.31m on turnover down from £19.81m to £17.88m; plastics made £725,000 (£550,00) profits on turnover up to £4.11m (£3.19m).

Group tax took £120,000 (£35,000 credit). Extraordinary items amounted to £2.5m (£3m) and were incurred during Falcon's disposals.

# COMMERCIAL LAW REPORTS

## Digest of cases in Hilary Term

FROM MARCH 20 TO APRIL 10

**Greenstone Shipping Co SA v Indian Oil Corp Ltd (FT March 20)**

In a dispute over short delivery of oil, where the owners had mixed the oil with other crude oil which was their own property, the arbitrators awarded the receivers damages of $46,014. In rejecting the receivers' contention that they were entitled to $388,000 on the basis that all the pumpable oil on board the vessel was their property, Mr Justice Staughton stated that where B wrongfully mixed the goods of A with goods of his own which were substantially of the same nature and quality, and they could not in practice be separated, the mixture was held in common. A was entitled to receive out of it a quantity equal to that of his goods which went into the mixture.

★

**Halvason Insurance Co. Ltd. v Jewett Duchesne (Int.) Ltd. and another (FT March 20)**

In refusing costs for expert evidence, Mr Justice Staughton said that all too often unnecessary expert evidence was adduced which led to the needless prolongation and expense of trials. The meaning of a written contract was a matter of law for the court on which expert evidence was of no assistance unless there was some special plea of custom or practice.

★

**Newa line v Erechthion Shipping Co SA (FT March 24)**

A time charterer ordered its vessel to discharge at Port Harcourt in Nigeria but the harbour authority issued instructions that the ship was to proceed to Dawes Island. On its way to the designated buoys the ship struck a submerged wreck. On an appeal against an arbitrator's award that the charterers should indemnify the owners for the damage, the Court of Appeal held that (i) in the present case the charterers' "order" meant to go to such discharging place as the harbour authority designated; (ii) in the absence of special terms the charterers were bound to indemnify the owners against the consequences of orders as to "employment" which included the manifest intention to discharge part of the cargo; (iii) the case should be remitted to decide the question whether the damage was caused proximately by the charterers' order.

★

**CT Bowring Reinsurance Ltd v Baxter (FT March 25)**

The reinsurance on two chartered vessels incorporated the ABS wording (LPO 454) that a pro rata net return of the premium would be available to the assured in the event of cancellation of cover in respect of war risks (clause 14.1). The vessels were a constructive total loss due to hostilities in the Gulf. However, the brokers, who had given the appropriate notice to cancel the insurance, paid a further premium due to administrative error. In finding for the brokers on a preliminary issue, Hirst J upheld the contention that, as a matter of construction, the loss of hire insurers had an unfettered right to cancel the policy by notice under clause 14.1 and that it followed they were entitled to a return of premium.

★

**Craven v White; Commissioners of Inland Revenue v Bowater Property Developments Ltd; Baylis v Gregory; Baylis v Gregory and Weare (FT March 27)**

In each of these cases there had been a disposition of assets by the taxpayer to a company, followed by a disposition by the company to an ultimate purchaser. Save possibly in Craven v White the first disposition had no commercial purpose other than tax avoidance. In rejecting the Crown's appeal that these were a series of preordained transactions within the Ramsay principle to be treated as a composite tax avoidance transaction giving rise to tax liability, the Court of Appeal held that two successive transactions, each with legal effect, were not a preordained series or a single composite transaction unless, when the first was effected, all the essential features of the second had already been determined by a person who had the firm intention and practical ability to procure its implementation.

★

**Deutsche Schachtbau - und Tiefbohrgesellschaft mbH v R'as al Khaimah National Oil Co (FT March 31)**

The dispute between the parties arose out of an oil exploration contract containing an International Chamber of Commerce (ICC) agreement. The defendants ("Rakoil") appealed against an arbitration award in the plaintiffs' favour on the grounds that the arbitrators had chosen the proper law of the contract as "the internationally accepted principles of law" instead of a national system of law and that it would be contrary to public policy to allow the parties' rights so to be determined. In rejecting this submission, the Court of Appeal stated that by choosing to arbitrate under the ICC Rules, the parties had left the proper law to be decided by the arbitrators, and had not confined the choice to national systems.

★

**Inland Revenue Commissioners v Frampton and another (FT April 1)**

In the present instance, the trustees of a football club sold the ground and the club was assessed for development land tax on the proceeds. The question was whether, for the purposes of the Development Land Act 1976 section 28, the club was a "person" for whom the land was vested absolutely as against the trustees. The Court of Appeal, in dismissing an appeal against a decision that the club had disposed of the land, stated that notwithstanding that the club was an unincorporated association, it had failed to discharge the burden of showing a contrary intention so as to exclude the extended meaning of "person" in section 28 so that the Act applied "as if the interests were vested in . . . the person . . ."

★

**Transcontinental Underwriting Agency v Grand Union Insurance Co Ltd and another (FT April 3)**

The basis of an arbitrators' award arising out of a retrocession agreement was that (i) such an agreement was a form of insurance contract under which a reinsurer insured the liability of another reinsurer; (ii) thus the parties had to be carrying on reinsurance business in the sense of being risk-takers; and (iii) Transcontinental was not a reinsurer, even though named in the agreement as the insured, so it was not capable of suing on the contract in its own name. Allowing an appeal against this decision, Hirst J said that the fact that Transcontinental had contracted personally in no way precluded the members of the pool, as unnamed principals, from having the right to sue or be sued. It followed that Transcontinental was therefore a party to the agreement.

★

**Felixstowe Dock & Railway Co v United States Lines Inc; Freightliners Ltd v United States Lines Inc (FT April 7)**

Since 1984 United States Lines have operated under the US bankruptcy court protection invoked under Chapter 11 of the US Federal Bankruptcy Code. The two plaintiffs obtained Mareva injunctions in the UK restraining USL from removing its assets from the jurisdiction. In refusing USL's application to set aside the injunctions, Mr Justice Hirst said that the question turned on comity and discretion: normal English procedure was for any winding-up proceedings to be conducted in the UK ancillary to the principal US proceedings. However USL would suffer no material prejudice if the Mareva injunctions continued since the assets would remain safely in the UK and would not be distributed save with the intervention of such ancillary proceedings.

★

**Unicorn Shipping Ltd v Demet Navy Shipping Co Ltd (FT April 8)**

In lifting a Mareva injunction restraining the defendant time-charterers ("Demet") from removing bunkers from the jurisdiction, Mr Justice Hirst said that the injunction was imposed because of a dispute between the voyage charterers and the defendant. However, as a result, the owners of the vessel were unable to move her out of Shoreham harbour and were being deprived of their only trading asset, thus making it likely that they would lose their next fixture. Where the effect of an injunction substantially interfered with an innocent third party's business, the rights of that party ought to prevail over a plaintiff's security for his debts.

★

**House of Fraser plc v ACGE Investments Ltd and Others (FT April 10)**

At an extraordinary general meeting attended by ordinary shareholders only, Fraser accomplished a reduction of capital, which involved paying off the whole preference share of capital, as being in excess of its wants. ACGE, as preference shareholders, contended that under the articles of association Fraser ought to have held a meeting of class shareholders to consider the variation of their rights. In rejecting this contention, the House of Lords stated that the cancellation involved the satisfaction of the shareholders' contractual rights and not their variation. Variation of a right presupposed the existence of the right as well as its continued existence.

*The summary will be concluded tomorrow*

**By Aviva Golden**

# APPOINTMENTS

## Citibank man becomes Access chief executive

**Mr A. M. Lee** has been appointed director and chief executive of ACCESS. He succeeds Mr Mike Blackburn, who had been seconded to the post from Lloyds Bank for the past four years, and who will return to the bank on June 1. Mr Tony Lee's appointment reflects a change in senior management direction for the Joint Credit Card Company. Previously, the chief executive role has been filled by a senior executive seconded in turn from the Access principal shareholding banks. Mr Lee was managing director of Citibank Savings, which he joined in 1982. His previous posts included finance director of A. M. Bruning, and chief accountant of Mars.

★

CHRYSALIS GROUP has appointed **Mr Peter Lassman** to the board. He has been chairman of Lasgo Exports since the company's formation in 1978. Following his appointment, Mr Lassman will continue in his current role as chairman and joint managing director of Lasgo Exports.

★

AIR CALL COMMUNICATIONS has elected **Mr Robert L. Tonsfeldt**, president of Bell-South Mobility, a US-based mobile communications company, to its board. Formed in November 1986, Air Call Communications is a joint venture between Air Call and BellSouth Corporation.

★

**Mr John Hardy** has been re-elected as chairman LINK INTERCHANGE NETWORK (LINK) for a second one-year term. He is head of Automated Banking, Girobank.

★

As a result of the merger of Bain Dawes and Clarkson Puckle Group, the following have been appointed to the board of BAIN CLARKSON: **Mr S. R. Arnold**, chairman, **Mr D. Prince**, deputy chairman, **Mr A. G. C. Howland Jackson**, managing director, **Mr J. O. Hagger**, finance director, **Mr T. R. Goulder**, marketing director, **Mr D. M. Berliand**, **Mr C. L. Burgess**, **Mr C. D. Campbell**, **Mr K. A. Chaplin**, **Mr P. A. T. Davidson**, **Mr R. C. W. Llewellyn**, **Mr D. C. Millwater**, **Mr J. W. Sawkins**, **Mr P. Swain**, **Mr J. L. Turner**, **Mr R. M. Waters** and **Mr P. A. Cooper**, secretary.

★

BRIDON has appointed **Mr David Allday** its executive deputy chairman. He was until recently group finance director of AE.

★

**Mr K. Yoshizawa** has been appointed joint general manager of THE SANWA BANK, London branch. He succeeds **Mr Y. Asai** who has been appointed deputy general manager of the corporate planning department in Tokyo.

★

The new chairman of the NORTH OF ENGLAND BUILDING SOCIETY is **Mr Ron Shiel**. He succeeds **Mr Vernon Ferens** who will continues as deputy chairman.

★

SWAN NATIONAL, part of the TSB group, has made the following appointments: Swan National Rentals managing director, **Mr Tony Grimshaw**, takes on the additional role of managing director at the company's subsidiary, Stardust Camelot. Stardust Camelot general manager, **Mr Mike Bowcott**, is promoted to commercial director. Other appointments are **Mr David Willsher** to fleet director from director and fleet manager, and **Mr John Leigh** to commercial director from director and operations manager.

★

**Mr Michael P. Renton** has been appointed chairman of COX MOORE & CO. **Mr M. Green**, **Mr K. K. Dal** and **Mr D. Hall** have been appointed to the board.

★

**Mr Ian T. Liss** has been appointed to the board of CATER ALLEN.

★

At ESTATES & GENERAL INVESTMENTS **Mr Barry Clegg**, **Mr David Cull** and **Mr Philip Clayton** have been appointed to the board. Mr Clegg has been appointed property director and has been with Estates & General for over 15 years. Mr Cull has been appointed finance director and was previously a director of the Worktown Group. Mr Clayton has been appointed a director and was previously chief executive and deputy chairman of Site Improvements, which was acquired by Estates & General in March.

★

**Mr Barry St George Austin Reed** has been appointed a director of NATIONAL WESTMINSTER BANK and chairman of its eastern regional board from May 1. **Mr David Jamieson** retires as chairman of eastern regional board and as a main board director on April 30. Mr Reed is executive chairman of Austin Reed Group and chairman of the British Knitting and Clothing Export Council.

★

**Mr Simon C. Penney** has been appointed chief accountant of STANDARD CHARTERED BANK.

★

**Mr Philip Payne** has been appointed finance director of LLOYD INSTRUMENTS. He set up Eurotherm's subsidiary company in Australia.

★

**Mr John A. Dunsford** has been appointed executive director (marketing) of the RED BANK MANUFACTURING CO. He was managing director of Tarc Tiles (later ARC Roof Tiles) at Shepshed (Leicestershire).

# COMMODITIES AND AGRICULTURE

## Silver springs to life as prices rise nearly 100%

BY STEFAN WAGSTYL, MINING CORRESPONDENT

AT THE beginning of the year, the silver market was so quiet that traders were ready to leave it for dead. But in the last month it has sprung into life with US dollar prices soaring by almost 100 per cent before falling back in a rush of profit-taking late yesterday.

Twenty-four hours of frenzied trading yesterday saw silver climb from Friday's closing price in New York of $9.045 an ounce to a high of $11.11 as markets in Hong Kong, Zurich, and London opened and closed and New York opened again. Then with prices virtually double the mid-March low of $5.55 an ounce, investors started selling frantically and prices fell to $829.50 on the New York Commodity Exchange for metal for delivery in May. On Comex, trading in silver futures was suspended first when prices went "limit up"—recording the maximum permissible gain allowed in a day—and again later when they went "limit down."

One New York trader said: "This market's gone wild. People are just panicking."

These price swings have left traders thoroughly bemused about where prices might go next. Some saw the surge past $11 an ounce as a one-off rise. Others said that if the price rose to $12 it could go to $20.

Investment interest in gold from the beginning of the year has taken few traders by surprise. Fears about the political future of South Africa had already set the market alight last year. This year the plunge in the US dollar has prompted fears of a trade war and led to precisely the kind of nervous activity in stock and bond markets which brings investors to switch to gold.

But the reaction in the silver market has been as unexpected as it was sudden. Few traders believed that investors would buy the metal in such large amounts after ignoring it for most of the 1980s.

In the past, silver prices have usually led any fear-induced rise in precious metals—as Ms Rhona O'Connell, an analyst with Shearson Lehman Brothers, the US trading company, said in a recent report.

However, the abortive attempt in 1980 to corner the market by the Texan billionaires Mr Nelson Bunker Hunt and his brother Herbert put a blight on silver. Even when the brothers announced in 1985 that they had sold most of the 59m ounces of metal they owned, silver prices barely moved. Investors took the view that while the stock—the equivalent of more than two months' supply of new-mined metal for the Western world—had changed hands it still hung over the market.

As a result, while gold and platinum prices rose last year, silver fell during 1986. Some traders questioned silver's status status as a precious metal, arguing that, unlike gold, it had ceased to respond to general financial and political influences and was behaving more like a base metal, its price determined largely by supply and demand in the silver industry.

A combination of factors seems to have persuaded investors to change their minds:

● The stocks overhanging the market are no longer as large as the ywere. Low prices last year forced the closure of Sunshine and Lucky Friday, two of the largest mines in the US. At the same time silver consumers—chiefly the photographic industry—have modestly increased their purchases. As a result, reported silver stocks fell in 1986 from an all-time peak of 241m ounces to 201m, according to Goldman Sachs, the US investment company. "While this represents six months' consumption, the speed of the decline shows that th emarket is correcting the over-capacity that had plagued it," says Goldman in a report.

● Last week Peru, the second largest western producer after Mexico, sent the market a sharp reminder that silver supplies should not be taken for granted. Traders say that the suspension of silver sales which Peru announced is unlikely to be carried out, given the country's dependence on silver for foreign exchange earnings. But the news reinforced speculative interest in silver, especially as it was followed by reports of a meeting between the heads of the central banks of Peru and Mexico.

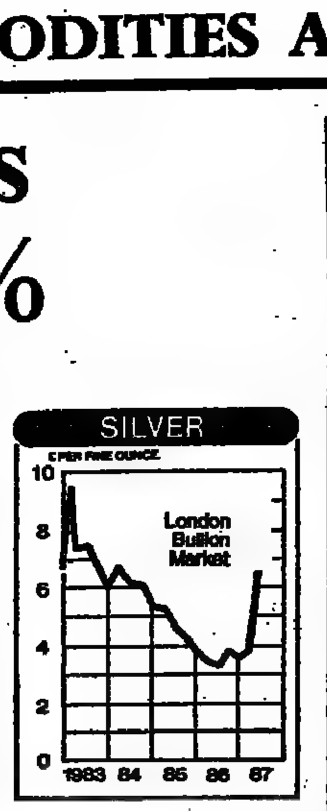
● But by far the most important factor has been the change in the mood of the US financial markets. Investors remembered that in times of uncertainty silver outperforms gold. This is because even when conditions are poor for precious metal prices — as they have been during the bull markets in stocks an dshares in the 1980s — some investors still continue buying precious metals. They go for gold because of its status as a reserve asset in the international monetary system.

However, when conditions move in favour of precious metals, the impact on silver is likely to be much greater. This is compounded by the fact that it is much easier for the general public to buy silver than gold — because its cost per ounce is lower.

All this makes the market extremely tempting to speculators, including experts trying to out-do the man-in-the-street.

But it also makes for a very volatile market—as the Hunt brothers discovered seven years ago and hundreds of investors learnt again yesterday.

The intangible mood of the market is all-important. Ms O'Connell says: "It's very much a psychological operation. People see that silver's cheap in relation to gold and they buy." The ratio between silver and gold prices which widened from a historic 40:1 to an average of nearly 70:1 last year came back to under 45:1 early yesterday before widening again to nearly 55.




## Aluminium stocks rise

ALUMINIUM stocks in London Metal Exchange warehouses have risen sharply by 22,375 tonnes to 139,000 tonnes, writes Our Commodities Staff.

The price for cash metal rallied towards the close on the LME yesterday on short-covering, adding £3 to £831.50 a tonne, while the three-month price fell £7.25 to £781.25 a tonne. The increased cash premium of £50 a tonne reflected nervousness over May options, dealers said.

There had been some expectation that the premium would narrow, following the increase in warehouse stocks to help meet commitments for holders of April options, due for delivery yesterday.

**LONDON METAL EXCHANGE WAREHOUSE STOCKS**
(Change during week ending last Friday)

| | (tonnes) |
|---|---|
| Aluminium | +22,375 to 139,000 |
| Copper | +1,075 to 140,200 |
| Lead | −1,300 to 15,650 |
| Nickel | −48 to 4,690 |
| Tin | −255 to 29,815 |
| Zinc | −200 to 30,775 |
| | (ounces) |
| Silver | +50,000 to 21,890,000 |

## Belize citrus project delayed

BY CANUTE JAMES IN KINGSTON

CONCERN BY local farmers, the Florida citrus industry and European environmentalists, and arguments with the Belize Government over incentives, have combined to delay an ambitious citrus project planned by Minute Maid, a subsidiary of Coca Cola Foods of the US, for central Belize.

The investment, announced by the company 18 months ago, is aimed at putting 25,000 acres under citrus, mainly oranges, at a cost of $50m over five years.

Farmers in Belize now say, however, that the start of the project has been put back to 198, and that it was likely to be different from the first plan.

The local industry, which produces oranges and grapefruit on just under 15,000 acres, has been concerned about a likely loss of market when the project attains full production. There has also been some disenchantment at incentives which Coca Cola is likely to get in establishing the farms.

The Florida citrus industry saw the Belize investment as a threat which would compound difficulties it was having with imports from Brazil. The outcry from Florida caused the Overseas Private Investment Corporation, a US government agency which underwrites foreign investments, to drop a plan to insure the Coca Cola venture.

Friends of the Earth, an environmentalist group, raised the issue of the effects on the Belizean environment of the project.

Coca Cola had planned initially to ship whole fruit to Florida for processing, with the possibility of later constructing a processing plant in Belize.

Representatives of the citrus industry in Belize say it now appears that Coca Cola's efforts will be concentrated on a 500 acre experimental plot, for which seedlings are being imported. "This will determine whether the project goes ahead as was planned or whether there are changes. In any event, the project is already running a few years behind original schedules," a company representative said.

In the meantime, the local industry has reported increased output. Orange production is expected to reach 1.4m boxes (90 lbs each box) when the current crop ends in June, 200,000 boxes more than the last crop.

The grapefruit harvest, which yielded 650,000 boxes (80 lbs each box) last year, reached 850,000 boxes this year.

## Tin crisis resumes in the High Court

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

TODAY sees the start of the the first of three High Court hearings which, over the next two months, will have profound implications for the whole course of the litigation arising from the tin crisis.

Hundreds of millions of pounds are at stake in court battles which involve the International Tin Council, its 22 member governments, its creditor banks and metal brokers, and the London Metal Exchange. The cases arise from the council's default in October 1985, when it ran out of money administering an inter-government pact to support tin prices.

The creditors began their legal attacks in earnest after efforts to negotiate a settlement ended in recrimination and failure in March last year.

Today, Maclaine Watson, a London Metal Exchange trader and a £6m creditor of the insolvent ITC will ask the court to appoint a receiver of the ITC who could pursue what Maclaine alleges is the council's right to claim contributions from its member states to cover its debts.

The ITC will argue that the claim should be struck out because the council is an international body, created by treaty, over which the English courts have no jurisdiction.

### Dunned

Issues of jurisdiction will also be central to the second of the three spring cases: an application by the UK, the other member states and the EEC on May 11 to strike out an action in which J. H. Rayner (Mincing Lane), part of the S and W Berisford commodities group, seeks a court ruling that the member states can be dunned for the ITC's debts.

The UK, through the Department of Trade and Industry, will argue that the court has no jurisdiction and that the states are not liable.

The foreign member states will add their argument that they are immune from an English court's jurisdiction because they are independent sovereign states.

As a result of discussions and preliminary court hearings, it has been arranged that all the arguments on jurisdiction common to the Rayner case and direct actions by other broker and bank creditors of the ITC, will be deployed at the May hearing, so obviating the need for time-wasting repetition when the other cases get to court.

The expectation is that Mr Gordon Pollock, QC, will present the argument for all the foreign member states.

The third of the trio of cases is that in which Shearson Lehman Brothers, part of the American Express financial group, is challenging the validity of Rule M—the London Metal Exchange rule which set a fixed—or "ring out"—price on outstanding tin contracts in March 1986.

The court ruling will affect all the creditors' claims, as it will determine whether they can be made on the basis of pre-October 1985 contract prices—of £8,500 a tonne and above—or the ring-out price of £6,250. The hearing is scheduled for June 8.

The tin crisis litigation can be broken down into four groups: direct actions by creditors against the tin council's members; inter-trader actions and claims against the LME; other actions in the UK; actions outside the UK.

● Six bank creditors who are co-ordinating their direct actions are Kleinwort Benson (with a debt of £8.47m), Arbuthnot Latham (£2.33m), Australia and New Zealand Banking Group (£4.46m), Banque Indo-Suez (£1.17m), Hambros (£7.11m) and the TSB (£5.99m).

They contend that the states are liable for the ITC's debts on one or other of three alternative bases: as members of the ITC, as members participating in ITC operations, or as principals on whose behalf the ITC contracted.

As in the cases by other creditors, the claims are made against the defendants "jointly and severally," meaning that each could be made liable for the whole or part of the sums claimed.

An alternative claim against all the defendants except the EEC is damages for negligence and/or negligent representation about the members' conduct of theD ITC's affairs "as a result of which (the banks) advanced money to the ITC" which they have been unable to recover.

ANZ has an additional alternative calim, against Australia alone: damages for negligent misrepresentation in giving advice and information to ANZ as to the affairs of the ITC in 1983, 1984 and 1985.

● The direct action by nine of the 11 London Metal Exchange brokers who have grouped themselves together as Tinco Realisations (under the guiding hand of City chartered accountant Michael Arnold) is a claim for £110m tin contract debts and for unquantified damages, including damages for alleged "false representations" by the ITC's Buffer Stock Manager or Deputy Buffer Stock Manager that the ITC expected to have sufficient funds to meet contract liabilities.

### Queue

The nine are Amalgamated Metal Trading, Boustead Davis (Metal Brokers), Gerald Metals, Gill and Duffus, Henry Bath and Son, Holco Trading, Metallgesellschaft, Metdist and Mocatta Commercial.

Other direct actions have been started by Rayner and Berisford Metals Corporation, of New York, and Maclaine Watson. Maclaine is limiting its attack to the UK Government and has not joined the other member states or the EEC.

● At the head of the queue of actions between traders or against the LME is that of Shearson Lehman Brothers and its subsidiary Shearson Lehman Metals over Rule M. Shearson claims damages for alleged breach of duty and/or negligence against The Metal Market and Exchange Company—the formal title of the company running the LME—and 14 members of the LME committee.

Linked to that action are third-party proceedings by the LME committee claiming to be indemnified by the 240 or so LME members against any damages or costs awarded to Shearson. Those proceedings have been deferred by the court until after the main Shearson action, with a direction that any findings in that action shall not be binding on the third-party proceedings.

Shearson's action also includes claims for £75m and £20m respectively against Maclaine Watson and Rayner under tin contracts. In January the Court of Appeal awarded Shearson Lehman Brothers an interim payment of £5.2m against Rayner on the basis that that was the minimum Shearson would recover in the action.

● The other inter-trader actions are by companies in the Rio Tinto-Zinc group alleging breaches of tin contracts. Capper Pass and Son, RTZ's Humberside tin smelting company, is suing Boustead Davis (Metal Brokers), part of the Boustead trading company, for £10.8m.

Carnon Consolidated, RTZ's Cornish tin mines company, is claiming £5.4m from Metallgesellschaft, the LME trading arm of the West German Metallgesellschaft metals group.

● The other "UK actions" are Maclaine's receivership case against the ITC and the pending appeal by Amalgamated Metal Trading, a subsidiary of Preussag, the West German metals group, and a £5.3m creditor of the ITC, against a High Court judge's decision in January to strike out, on the grounds of lack of jurisdiction, AMT's petition for the compulsory winding-up of the ITC.

● A number of actions have been started outside the UK. In Malaysia, Malayan Banking, Bank Bumiputra and two companies—Datuk Kerramat Smelting and Malaysian Smelting Corporation—each has a claim in against the ITC.

In the Netherlands, Algemene Bank Nederland, claiming as a creditor of the ITC for £30m, has taken the first steps towards discovering if it can get the Dutch government—an ITC member—held liable.

Another of the Tinco Realisations group, Rudolf Wolff, owned by Noranda, the Canadian mining company, is expected to start a direct action in Canada against the Canadian government, which is also an ITC member.

## LONDON MARKETS

LEAD PRICES rose sharply on the London Metal Exchange, with news of producer price rises in the US supporting an already bullish market, said dealers. General supply tightness, with LME stocks falling a further 1,300 tonnes to 15,650 tonnes last week, was increased by good US and European demand and the possibility of a strike at Cominco's British Columbia facilities. The cash price rose by £16.50 to £374 a tonne, while the price for three-month delivery was £10.50 ahead at £337.75 a tonne. This increased the premium for cash metal over three-month delivery to £36.25 from £30.25 at the end of last week. Copper prices recovered some of last week's losses, with the cash price adding £10 to £880.50 a tonne and the price for three-month delivery adding £5 to £854.50 a tonne. Dealers said both sterling and dollar-based buying interest was evident in spite of sterling's continued strength against the dollar. The premium for cash metal over three-month delivery increased to £26 from £21 at the end of last week. The cash price for nickel added £22.50 to £2,390 per tonne, while the three-month delivery price rose by £19 to £2,408.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

### ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 831-2 | +3 | 877/822 |
| 3 months | 781-1.5 | −7.5 | 792/774 |

Official closing (am): Cash 821-2 (827-8), three months 776-7 (787.5-8), settlement 822 (828). Final Kerb close: 770-770.5. Turnover: 22,350 tonnes.

### COPPER

| Grade A | Unofficial + or close − £ per tonne | | High/Low |
|---|---|---|---|
| Cash | 880-1 | +10 | 887/875 |
| 3 months | 854-5 | +5 | 857/848 |

Official closing (am): Cash 877-8 (869-9.5), three months 853-5 (845.5-7), settlement 878 (869.5). Final Kerb close: 854-855.

| Standard | | | |
|---|---|---|---|
| Cash | 866-8 | +15 | 860 |
| 3 months | 841-3 | +9 | 840 |

Official closing (am): Cash 866-7 (856-7), three months 840-1 (830-1), settlement 867 (857). US Producer prices 64.75-68.5 cents per pound. Total Turnover: 27,450 tonnes.

### LEAD

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 373-5 | +16.5 | 373/370 |
| 3 months | 337.5-8 | +10.5 | 337/325 |

Official closing (am): Cash 372-3 (352.5-4), three months 336-7 (324-5), settlement 373 (353). Final Kerb close: 337-338. Turnover: 11,050 tonnes. US Spot: 24-28 cents per pound.

### NICKEL

| | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 2385-95 | +22.5 | 2385 |
| 3 months | 2405-10 | +19 | 2410/2380 |

Official closing (am): Cash 2,365-70 (2,365-70), three months 2,379-80 (2,360-1), settlement 2,370 (same). Final Kerb close: 2,405-2,410. Turnover: 2,502 tonnes.

### ZINC

| High grade | Unofficial close (p.m.) £ per tonne | + or − | High/Low |
|---|---|---|---|
| Cash | 477-8 | +12 | 478/477 |
| 3 months | 475.5-6 | +10.5 | 477/470.5 |

Official closing (am): Cash 477-8 (478-8.5), three months 475-6 (475.5-6), settlement 478 (478.5). Final Kerb close: 470.5-471. Turnover: 16,175 tonnes. US Prime Western: [illegible] cents a pound.

### TIN

KUALA LUMPUR TIN MARKET—Close: 18.62 (18.67) ringgit per kg. Down 0.5.

### GOLD

Gold rose $7 to $471½-472½ on the London bullion market yesterday, the highest closing level since late February 1983. The metal touched a peak of $478-479, following another sharp rise in the price of silver, and the [illegible] continued [illegible]. It opened at $466-466, and was fixed at $476.60 in the morning and $474.75 in the afternoon. Gold touched a low of $467-468.

**GOLD BULLION (fine ounce) April 27**

| | |
|---|---|
| Close | $471½-472½ (£2893¾-289½) |
| Opening | $465-466 (£2863¼-2963¼) |
| M'n'g fix | $476.60 (£292) |
| Aft'n'n fix | $474.75 (£291¾) |

**GOLD AND PLATINUM COINS**

| | | |
|---|---|---|
| Am Eagle | $485-490 | (£293¼-295¾) |
| Maple leaf | $490-495 | (£300½-303¼) |
| Kr'g'rnd | $476-480 | (£292¼-294¾) |
| ½ Krug | $252-253 | (£151-151¾) |
| ¼ Krug | $128-129 | [illegible] |
| Angel | $487-492 | (£299¼-299¾) |
| 1/10 Angel | $49-51 | (£30-31) |
| New Sov | $110-113 | (£67-69) |
| Old Sov | $110-113 | (£67½-69) |
| $ 20 Eagle | $510-560 | (£305¼-335¼) |
| Noble Plat | $546-558 | (£334¾-341¼) |

### SILVER

Silver was fixed 69.15p an ounce higher for spot delivery in the London bullion market yesterday at 685.5p. US cent equivalents of the fixing levels were: spot $10.82, up $1.2975; three-month $11.1045, up $1.2470; six-month $11.297, up $1.2820; and 12-month $11.665, up $1.3155. The sharp increase in the price of silver prompted the Chicago Board of Trade to increase the margin on contracts in Chicago to $700 from $400 on a standard 1,000-ounce contract while the limit movement was also increased to 75c from 50c. The metal opened in London at 602-617p ($10.0-10.2) and closed at 609-624½p ($10.15-10.35).

| SILVER per troy oz | Bullion Fixing Price | + or − | L.M.E. p.m. Unoffic'l | + or − |
|---|---|---|---|---|
| Spot | 685.50p | +69.1 | 609.5p | +37.5 |
| 3 months | 696.20p | +61 | 617.5p | +37.5 |
| 6 months | 681.55p | +69 | — | — |
| 12 months | 703.50p | +69 | — | — |

LME—Turnover: 4 (6) lots of 10,000 ounces.

Cash high/low 663p; three months high/low 620p, final kerb 615-25p.

### COTTON

LIVERPOOL—Spot and shipment sales for the week commencing April 21 amounted to 248 tonnes against 605 tonnes in the previous week. Fair operations took place with dealings in Russian, Chinese, Colombian, Paraguayan and West African varieties.

## INDICES

**REUTERS**

| Apr. 27 | Apr. 24 | M'th ago | Year ago |
|---|---|---|---|
| 1570.1 | 1560.0 | 1532.5 | 1783.5 |

(Base: September 18 1931=100)

**DOW JONES**

| Dow Jones | Apr. 27 | Apr. 24 | M'th ago | Year ago |
|---|---|---|---|---|
| Spot | 125.61 | 124.12 | — | 129.34 |
| Fut | 126.60 | 124.65 | — | 122.66 |

(Base: December 31 1931=100)

## MAIN PRICE CHANGES

| | Apr. 27 1987 | + or − | Month ago |
|---|---|---|---|
| **METALS** | | | |
| Aluminium | $1275/95 | | $1295/1475 |
| Free Market | | | |
| Copper | | | |
| Cash Grade A | £880.5 | +10 | £944.5 |
| 3 mths | £854.5 | +5 | £903.25 |
| Gold Troy oz | $472 | +7 | $423.75 |
| Lead Cash | £374 | +16.5 | £305.25 |
| 3 mths | £337.75 | +10.5 | £298.75 |
| Nickel | | | |
| Free Mkt | 178/185c | +1.5 | 178/180c |
| Palladium oz | $161.00 | +2.25 | $130.25 |
| Platinum oz | $591.25 | +18.5 | $556.50 |
| Quicksilver† | $200/215 | | $200/210 |
| Silver troy oz | 685.5p | +69.15 | 387.00p |
| 3 mths | 696.20p | +61 | 388.20p |
| Tin | | | |
| Free Mkt | [illegible] | | |
| Tungsten | $48.75 | | $47.09 |
| Wolfram 22.04lb | $50/55 | | $48/55 |
| Zinc | £478 | +12 | £449 |
| 3 mths | £475.75 | +10.5 | £429.25 |
| Producers | $780 | | $790 |
| **OILS** | | | |
| Coconut (Phil) | $400x | +5 | $385 |
| Palm Malayan | $348.5v | | $350 |
| Seeds | | | |
| Copra (Phil) | $280x | −10 | $280 |
| Soyabean (U.S.) | $144v | +1 | $138 |
| **GRAINS** | | | |
| Barley Fut. Sept | £108.15 | +0.15 | £108.75 |
| Maize | £146.00 | +1.0 | £143.75 |
| Wheat Fut. July | £124.10 | +0.15 | £123.70 |
| No. 2 Hard Wint. | ‡ | | ‡ |
| **OTHERS** | | | |
| Cocoa Ft. July | £1312.5 | −8 | £1298.5 |
| Coffee Ft. July | £1396 | +13.5 | £1278 |
| Cotton A Ind.* | 58.70c | +0.65 | 52.95c |
| Gas Oil June | $148.5 | +1 | $146.25 |
| Rubber (kilo) | 62p | | 60p |
| Sugar (raw) | $180u | +10 | $173.5 |
| Wooltops 64s | 470p kilo | −1 | 488p kilo |

‡ Unquoted. † Per 76-lb flask. c Cents a pound. t Cotton outlook. y May. w June-Aug. v July. u May-June. x April-May.

### COFFEE

Ignoring a further drop in the dollar, the market made further gains as short-covering and fresh technical buying emerged, reports Drexel Burnham Lambert. Despite a lack of physical interest technical considerations keep the market buoyant and a similar story in New York added to the general steadiness.

| COFFEE | Yesterday close | + or − | Business Done |
|---|---|---|---|
| May | 1372-1375 | +16.0 | 1385-1356 |
| July | 1395-1397 | +13.5 | 1411-1381 |
| Sept | 1415-1417 | +18.0 | 1425-1401 |
| Nov | 1435-1445 | +12.5 | 1450-1425 |
| Jan | 1455-1462 | +12.0 | 1468-1445 |
| Mar | 1470-1485 | +2.5 | 1490-1470 |
| May | 1495-1515 | +5.0 | 1500 |

Sales: 5,983 (7,754) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for April 24: Comp. daily 1979 110.66 (107.93); 15-day average 103.85 (102.75).

### COCOA

Futures traded in subdued fashion throughout the day, drifting lower on stronger sterling. Origin activity was not apparent, but light manufacturer price-fixing and [illegible] was noted, reports Gill and Duffus.

| | Yesterday's close £ per tonne | + or − | Business done |
|---|---|---|---|
| May | 1275-1276 | −11.0 | 1296-1275 |
| July | 1312-1313 | −8.0 | 1318-1313 |
| Sept | 1333-1334 | −9.0 | 1338-1333 |
| Dec | 1356-1358 | −6.5 | 1359-1356 |
| March | 1381-1382 | −7.0 | 1385-1376 |
| May | 1401-1402 | −6.0 | 1405-1400 |
| July | 1421-1423 | −7.5 | 1423-1421 |

Sales: 3,368 (2,841) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for April 27: 1,625.38 (1,633.37); 10-day average for April 28: 1,619.91 (1,615.20).

### FREIGHT FUTURES

After a relatively quiet opening the market advanced moderately. The index was announced at 7 points up on minor routes trading higher. However, the major routes, including Gulf/Japan trading at the lower level of $16.25, were seen as slightly bearish and the market weakened, reports Clarkson Wolff.

| | Close | High/Low | Prev. |
|---|---|---|---|
| **Dry Cargo** | | | |
| April | 1014.5 | 1018/1013 | 1018 |
| July | 901 | 914/900 | 909 |
| Oct. | 958 | 968/958 | 962 |
| Jan. | 945/947.5 | 950 | 960 |
| Apr. | 960 | 960 | 957.5 |
| July | 800 | — | 820 |
| Oct. | 870 | — | 870 |
| Jan. | — | — | 930 |
| BFI. | 1013.5 | — | 1008.5 |

Turnover: 471 (717).

### GRAINS

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: April/May 93.75, June 93.25, July 92.75 sellers. US No 2 Soft Red Winter: June 89.75, July 87.00. French 11½-12 per cent: April 243.50. English feed, fob: May 123.25 buyer, June 124.50, Sept 103.00 sellers, Oct/Dec 106.00-106.50 buyer/sellers, Jan/March 110.00 buyer. Maize: US No 3 Yellow/French, transhipment East Coast: March 145.00. Barley: English feed, fob: April 113.00-114.50 buyer/sellers, May 115.00, Aug 101.00, Sept 103.00, Oct/Dec 105.50 sellers.

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Mnth | Yest'rdy's close | + or − | Yest'rdy's close | + or − |
| May | 120.90 | +0.40 | 111.25 | +1.10 |
| July | 124.10 | +0.15 | — | |
| Sep. | 101.10 | +0.50 | 99.15 | +0.15 |
| Nov. | 103.25 | +0.25 | 101.55 | +0.20 |
| Jan. | 106.00 | +0.10 | 104.10 | +0.10 |
| Mar. | 108.50 | +0.10 | 106.40 | +0.05 |
| May | 111.40 | +0.15 | 108.25 | +0.05 |

HGCA — Locational ex-farm spot prices. Feed barley: N. East 111.70, Scotland 112.60. The UK monetary coefficient for the week beginning Monday May 4 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

### POTATOES

Nearby May opened slightly easier and came under immediate selling pressure as buying interest disappeared. With 45 tenders made on the day (taking the total to 369) fresh selling emerged on the close and values slipped to finish near to the low of the day. April was also easier as record plantings were reported with the area planted standing at 78,482 hectares. However, profit-taking managed to hold values close to Friday's levels, reports Coley and Harper.

| Month | Yesterday's close | Previous close | Business done |
|---|---|---|---|
| | £ per tonne | | |
| May | 172.00 | 176.90 | 177.00-171.50 |
| Nov | 86.50 | 87.00 | 86.50 |
| Feb | 95.80 | 96.80 | 95.50 |
| Apr | 119.60 | 120.20 | 120.00-117.50 |
| May | 151.80 | 153.00 | — |

Sales: 884 (681) lots of 40 tonnes.

## US MARKETS

### NEW YORK

**ALUMINIUM 40,000 lbs. cents/lb** — [illegible]

**COCOA 10 tonnes, $/tonnes** — [illegible]

**COFFEE "C" 37,500 lbs. cents/lb** — [illegible]

**COPPER 25,000 lbs. cents/lb** — [illegible]

**CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels** — [illegible]

**COTTON 50,000 lbs. cents/lb** — [illegible]

**GOLD 100 troy oz, $/troy oz** — [illegible]

**HEATING OIL 42,000 US gallons, cents/US gallons** — [illegible]

**ORANGE JUICE 15,000 lbs. cents/lb** — [illegible]

**PLATINUM 50 troy oz, $/troy oz**

| | Close | Prev | High | Low |
|---|---|---|---|---|
| April | 603.0 | 623.2 | 647.5 | 605.0 |
| June | 640.0 | 628.2 | 641.5 | 612.0 |
| July | 602.8 | 627.8 | 652.5 | 602.8 |
| Oct | 608.8 | 633.8 | 652.8 | 608.8 |
| Jan | 614.8 | 639.8 | 664.5 | 614.8 |
| April | 624.0 | 645.6 | 670.5 | 620.5 |
| July | 627.8 | 652.3 | 677.3 | 627.8 |

**SILVER 5,000 troy oz, cents/troy oz** — [illegible]

**SUGAR WORLD "11" 112,000 lbs, cents/lb** — [illegible]

### CHICAGO

**LIVE CATTLE 40,000 lb, cents/lb** — [illegible]

**LIVE HOGS 30,000 lb, cents/lb** — [illegible]

**MAIZE 5,000 bu min, cents/56lb bushel** — [illegible]

**PORK BELLIES 38,000 lb, cents/lb** — [illegible]

**SOYABEANS 5,000 bu min, cents/60lb bushel** — [illegible]

**SOYABEAN MEAL 100 tons, $/ton** — [illegible]

**SOYABEAN OIL 60,000 lb, cents/lb** — [illegible]

**WHEAT 5,000 bu min, cents/60-lb bushel**

| | Close | Prev | High | Low |
|---|---|---|---|---|
| May | 280.0 | 279.8 | 281.8 | 276.0 |
| July | 268.4 | 270.4 | 272.8 | 267.4 |
| Sept | 272.8 | 272.8 | 276.4 | 271.0 |
| Dec | 280.4 | 281.0 | 283.4 | 278.4 |
| March | 281.0 | 281.4 | 283.0 | 279.0 |
| May | 270.4 | 271.0 | 275.0 | 270.4 |

SPOT PRICES—Chicago loose lard 13.50 (same) cents per pound. Handy and Harman silver bullion 1020.0 (941.0) cents per troy ounce. New York tin 321-2 (316-21) cents per pound.

### RUBBER

PHYSICALS — The London market opened steadier but was quiet throughout the day and closed unchanged, reports Lewis and Peat. Closing prices (buyers): Spot 62.00p (same); June 62.25p (same); July 61.75p (same). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 233.0 (231.5); SMR 20 201.5 (198.5).

FUTURES—Index 594, May 591-597, June 591-597, July/Sept 591-597. Sales: Nil.

Business done—Wheat: May 120.90-20.50, July 124.15-3.95, Sept 101.00, Nov 103.25-3.10, Jan 106.00, March 108.50, May untraded. Sales: 95 lots of 100 tonnes. Barley: May 111.25-1.00, Sept untraded, Nov 101.55, Jan untraded, March 106.40, May untraded. Sales: 8 lots of 100 tonnes.

### SOYABEAN MEAL

Prices held steady on professional buying encouraged by firmer cash and Chicago markets. Commercial selling kept values in check but only on a scale-up basis, reports Muirpace.

| | Yesterd'ys close | + or − | Business done |
|---|---|---|---|
| | £ per tonne | | 117.0-116.5 / 116.5-116.5 |
| June | 116.5-117.0 | −0.25 | 116.5-115.5 |
| August | 115.5-116.5 | +0.10 | 116.5-116.5 |
| October | 115.5-116.2 | | — |
| Dec | 118.5-119.0 | +1.25 | — |
| Feb | 121.0-123.0 | +0.25 | — |
| April | 123.5-125.0 | +0.75 | — |
| June | 122.5-125.0 | −0.25 | — |

Sales: 231 (2) lots of 20 tonnes.

### SUGAR

LONDON DAILY PRICE—Raw sugar $180.00 (£108.00), up $10.00 (up £5.00) a tonne for May-June delivery. White sugar $194.00, up $7.50.

| No. 6 Contract | Y'sterd'ys close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| May | 164.8-164.6 | 157.2-157.4 | 160.8-158.0 |
| Aug | 168.6-168.8 | 161.4-166.0 | 169.4-158.0 |
| Oct | 164.8-165.0 | 166.8-167.8 | 170.4-165.5 |
| Dec | 168.8-170.8 | 169.5-172.8 | — |
| Mar | 175.2-175.8 | 174.2-174.6 | 178.8-172.8 |
| May | 176.4-177.0 | — | — |
| Aug | 178.8-181.4 | 180.8-185.0 | — |

Sales: 6,724 (5,069) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £212.50 (£207.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for April 24: Daily price 6.63 (6.37); 15-day average 6.63 (same).

### TEA

There were 37,275 packages on offer at the London tea auction, including 4,200 packages in the offshore section, reports the Tea Brokers' Association. There was improved general demand. Although plainer Assams were irregular, there was more enquiry than of late and selected lines advanced. However coloury sorts valued above 110p lost ground and most were 3p-10p easier. Bangladesh teas sold readily, close to valuations. A few best liquoring and good medium East Africans ruled firm to dearer but the remainder were 4p-6p lower with dusts a weak feature. Central Africans were quite well supported except for plainer descriptions and dust grades. Ceylons opened to a good demand but prices were irregular and the market closed on a quiet note. Offshore teas received only fair support with prices about steady where sold. Quotations: quality, unquoted (unquoted); medium, 103p a kg (105p); low medium, 82p a kg (82p).

### OIL

Brent traded thinly as high as $18.10 in June and $17.80 in July before losing around 10c by the close. June WTI opened 2c down on Nymex and traded 5c up at 1.30 pm EDT. In the petroleum products market gas oil continued Friday's upward trend. Naphtha, gasoline and fuel oil were quiet with no deals heard—Petroleum Argus, London.

| | Latest | Change + or − |
|---|---|---|
| **CRUDE OIL—FOB ($ per barrel)—May** | | |
| Arab Light | — | — |
| Arab Heavy | — | — |
| Dubai | 16.65-16.95* | +0.05 |
| Brent Blend | 18.20-18.30 | +0.025 |
| W.T.I. (1pm est) | 18.70-18.75* | n/a |
| Forcados (Nigeria) | — | — |
| Urals (cif NWE) | — | — |
| **PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)** | | |
| Premium gasoline | 196-200 | — |
| Gas Oil | 148-150 | +1 |
| Heavy fuel Oil | 107-109 | — |
| Naphtha | 172-175 | — |

* June
Petroleum Argus estimates

### GAS OIL FUTURES

| Month | Yestrdy's close | + or − | Business Done |
|---|---|---|---|
| | US$ per tonne | | |
| May | 148.75 | — | 149.75-48.25 |
| June | 148.50 | +1.00 | 149.25-47.50 |
| July | 149.00 | +1.50 | 149.50-47.50 |
| Aug | 150.50 | +1.25 | 150.50-48.00 |
| Sept | 151.00 | +1.00 | 151.50-50.50 |

Turnover: 3,246 lots of 100 tonnes.

### HEAVY FUEL OIL

| Month | Yesterday close | + or − | Business Done |
|---|---|---|---|
| | US $ per tonne | | |
| May | 105.50 | −1.00 | 105.50 |
| June | 100.75 | +0.75 | — |

Turnover: 7 (8) lots of 100 tonnes.

### MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.28p per kg lw (−0.92). GB—Sheep 260.91p per kg est. dcw. (−12.19). GB—Pigs 75.41p per kg lw (−3.01).

FUTURES—Pigs: April 101.10, Aug 94.80. Sales: 21.

## Port of Liverpool traffic up 5%

A RISE of 36 per cent in coastal trade through the port of Liverpool last year accounted for a 5 per cent increase in total traffic from 10.23m tonnes to 10.76m, according to the annual report of the Liverpool Steam Ship Owners' Association.

The rise came in spite of a drop in some of the established trades due to a fall in business. Foreign trade fell 2.75 per cent.

There was a fall of 3.3 per cent to 2,937 in the number of vessels using the port and a drop of 8.7 per cent in the number of ships using the river only.

# CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

## Dollar hits new lows

THE DOLLAR showed little reaction to the comment by a White House spokesman that the US wants to see stability in exchange rates. It was similar to remarks made recently by Mr James Baker, US Treasury Secretary, and by Mr Malcolm Baldrige, US Commerce Secretary, but dealers suggested it will take more than words from US officials to arrest the dollar's decline.

Even the threat of central bank intervention seemed to hold less fear for the market, and speculation grew that the Federal Reserve would soon be forced to raise its discount rate.

Intervention was seen in Japan by the Bank of Japan and the West German Bundesbank. There was also support for the dollar in Europe by the Bundesbank, Swiss National Bank, and probably the Bank of England.

This lifted the dollar off its lows, but failed to prevent it falling to a record closing low against the yen and Swiss franc; to a 6½-year closing low against the D-Mark; and a 4½-year closing low against sterling.

The dollar declined to DM 1.7820 from DM 1.7910; to SFr 1.46 from SFr 1.4620; to FFr 5.9650 from SFr 5.9725; and to Y138.35 from Y139.70.

On Bank of England figures the dollar's index fell to 99.7 from 100.1, the lowest since March 1981.

STERLING—Trading range against the dollar in 1987 is 1.6875 to 1.4710. March average 1.5920. Exchange rate index rose 0.2 to 72.9, compared with 67.8 six months ago.

There were signs the Bank of England intervened to stem the pound's rise when the exchange rate index touched a peak of 73.0. Dealers said the authorities sold sterling against the dollar around noon, bringing the pound down from a high of $1.6710. Another opinion poll, at the weekend, giving the Conservative's a comfortable lead over the opposition parties, and above the important 40 per cent support point, encouraged speculation about an early general election, and increased demand for sterling.

The pound finished 1 cent higher on the day at $1.6665-1.6675, the highest closing level since November 1982, and also rose to DM 2.97 from DM 2.9675; to FFr 9.9450 from FFr 9.8950; and to SFr 2.4350 from SFr 2.4225, but fell to Y230.50 from Y221.50.

D-MARK — Trading range against the dollar in 1987 is 1.9350 to 1.7820. March average 1.8388. Exchange rate index 147.2 against 141.5 six months ago.

The D-Mark was very strong against the dollar, prompting intervention by the West German Bundesbank in Frankfurt and Tokyo. The central bank bought dollars, via the Bank of Japan, before European trading began, and continued to supply support for the US currency in Frankfurt.

This still left the US currency weaker on the day. It closed at DM1.7815 in Frankfurt, compared with DM1.7935 on Friday. Apart from intervention on the open market the Bundesbank bought $76.8m when the dollar was fixed at DM1.7765, compared with DM1.8205.

Signs of possible future strains within the EMS came when the German currency was fixed at a record high against the lira in Milan and at a three-month high of FFr3.3495 in Paris, against FFr3.3318.

JAPANESE YEN — Trading range against the dollar in 1987 is 159.45 to 138.35. March average 151.41. Exchange rate index 228.6 against 209.7 six months ago.

The yen continued to advance against the dollar in Tokyo, with the US currency touching a record low of Y137.25. Intervention by the Bank of Japan encouraged some short covering, and the dollar finished at Y138.10, against Y139.50 on Friday.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu April 27 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.1456 | +1.62 | +1.00 | ±1.5344 |
| Danish Krone | 7.85212 | 7.82959 | −0.29 | −0.91 | ±1.6404 |
| German D-Mark | 2.05853 | 2.07526 | +0.81 | +0.19 | ±1.0981 |
| French Franc | 6.90403 | 6.94959 | +0.66 | +0.04 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.34083 | +0.92 | +0.30 | ±1.5012 |
| Irish Punt | 0.768411 | 0.777037 | +1.12 | +0.50 | ±1.6684 |
| Italian Lira | 1483.58 | 1485.62 | +0.14 | +0.14 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Apr 27 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.6690-1.6700 | 1.6600-1.6610 |
| 1 month | 0.42-0.39 pm | 0.42-0.41 pm |
| 3 months | 1.15-1.10 pm | 1.06-1.03 pm |
| 12 months | 3.30-3.20 pm | 2.48-2.38 pm |

Forward premiums and discounts apply to the U.S. dollar.

### POUND SPOT—FORWARD AGAINST THE POUND

| Apr. 27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6600-1.6720 | 1.6665-1.6675 | 0.42-0.39c pm | 2.92 | 1.00-0.95 pm | 2.34 |
| Canada | 2.2246-2.2400 | 2.2310-2.2310 | 0.28-0.18c pm | 1.24 | 0.38-0.22 pm | 0.54 |
| Netherlands | 3.33½-3.35¼ | 3.34½-3.35¼ | 1½-1¼c pm | 4.47 | 3⅝-3¼ pm | 4.38 |
| Belgium | 61.41-61.75 | 61.65-61.75 | 16-9c pm | 2.43 | 43-22 pm | 2.11 |
| Denmark | 11.15½-11.20¾ | 11.18½-11.19½ | ¼-1 ore dis | −0.67 | 1¼-3¼ dis | −0.72 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Belgian rate is for convertible francs. Financial franc 62.05-62.15. Six-month forward dollar 1.59-1.84 c pm. 12-month 2.98-2.98 c pm.

### STERLING INDEX

[illegible]

### CURRENCY RATES

[illegible]

### CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

### OTHER CURRENCIES

| Apr. 27 | £ | $ |
|---|---|---|
| [illegible] | [illegible] | [illegible] |
| Kuwait | 0.44790-0.44880 | 0.26880-0.26910 |
| Luxembourg | 61.65-61.75 | 36.95-37.05 |
| Malaysia | 4.0985-4.1085 | 2.4615-2.4635 |
| Mexico | 1944.40-1965.55 | 1169.00-1181.00 |
| N. Zealand | 2.8425-2.8500 | 1.7020-1.7050 |
| Saudi Ar. | 6.2485-6.2510 | 3.7495-3.7505 |
| Singapore | 3.5200-3.5290 | 2.1140-2.1160 |
| S. Af. (Cm) | 3.3090-3.3145 | 1.9860-1.9900 |
| S. Af. (Fn) | 5.1325-5.2950 | 3.0770-3.1745 |
| Taiwan | 55.30-55.60 | 33.20-33.30 |
| U.A.E. | 6.1205-6.1255 | 3.6725-3.6735 |

*Selling rate.

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

### EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: Two years 8¼-8⅛ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8⅞-8¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

## Gilts finish weaker

GILT PRICES lost ground in the London International Financial Futures Exchange yesterday, despite growing hopes of an early general election and lower interest rates. Traders were puzzled that the initially firmer trend shown in long gilt futures was not continued throughout the day. However some suggested that speculation was no greater now than it had been a month ago, and that the authorities had failed to give even the slightest hint on the timing of a general election. In addition a lot of good news had already been built into the price and the lack of follow through demand prompted a rush of profit taking.

The June price opened at 126-15 up from 126-03 on Friday and rose to a high of 126-20 before coming back to close at 125-09, only just off the day's low of 125-08.

US Treasury bonds lost ground quite sharply in reaction to the dollar's slide to record levels. However support around the 88-00 level in the June contract prompted a little profit taking and the contract finished above the day's lows. Apart from the dollar's sharp fall and fears of higher interest rates, traders were also wary ahead of tomorrow's announcement on the amount on offer at next week's US refunding auctions. There was also some background unease generated by speculation over what level of participation could be expected by Japanese investors. This week also sees a meeting between President Reagan and Japanese Prime Minister Yasuhiro Nakasone with recent trade tensions likely to be top of the agenda.

The June bond opened at 88-27 down from 89-25 and touched a low of 87-31 before finishing at 88-31.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last June | Calls—Last Sept | Puts—Last June | Puts—Last Sept |
|---|---|---|---|---|
| 112 | 13.18 | 13.26 | 0.00 | 0.08 |
| 114 | 11.18 | 11.33 | 0.00 | 0.15 |
| 116 | 9.18 | 9.45 | 0.00 | 0.27 |
| 118 | 7.19 | 8.01 | 0.01 | 0.47 |
| 120 | 5.24 | 6.29 | 0.06 | 1.11 |
| 122 | 3.37 | 5.06 | 0.19 | 1.50 |
| 124 | 2.02 | 3.52 | 0.48 | 2.34 |
| 126 | 1.02 | 2.57 | 1.48 | 3.39 |

Estimated volume total, Calls 2,686 Puts 1,618
Previous day's open int: Calls 26,451 Puts 12,624

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last June | Calls—Last Sept | Puts—Last June | Puts—Last Sept |
|---|---|---|---|---|
| 90 | 1.17 | 2.46 | 2.39 | 4.62 |
| 92 | 0.37 | 2.02 | 3.59 | 6.18 |
| 94 | 0.16 | 1.31 | 5.38 | 7.47 |
| 96 | 0.06 | 1.04 | 7.28 | 9.20 |
| 98 | 0.02 | 0.48 | 9.24 | 11.00 |
| 100 | 0.01 | 0.33 | 11.23 | 12.49 |
| 102 | 0.00 | 0.22 | 13.22 | 14.38 |
| 104 | 0.00 | 0.15 | 15.22 | 16.32 |

Estimated volume total, Calls 546 Puts 444
Previous day's open int: Calls 976 Puts 853

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls—Last May | Calls—Last June | Puts—Last May | Puts—Last June |
|---|---|---|---|---|
| 19250 | 8.48 | 10.19 | 1.28 | 2.99 |
| 19500 | 6.67 | 8.59 | 1.97 | 3.89 |
| 19750 | 5.10 | 7.15 | 2.90 | 4.95 |
| 20000 | 3.78 | 5.87 | 4.08 | 6.17 |
| 20250 | 2.71 | 4.76 | 5.51 | 7.56 |
| 20500 | 1.87 | 3.81 | 7.17 | 9.11 |
| 20750 | 1.25 | 3.01 | 9.05 | 10.81 |
| 21000 | 0.81 | 2.34 | 11.11 | 12.64 |

Estimated volume total, Calls 1 Puts 10
Previous day's open int: Calls 280 Puts 176

### LIFFE £/$ OPTIONS

[illegible]

### LONDON SE £/$ OPTIONS

[illegible]

### PHILADELPHIA SE £/$ OPTIONS

[illegible]

### LIFFE—EURODOLLAR OPTIONS

[illegible]

### LONDON

[illegible]

### CHICAGO

[illegible]

### CURRENCY FUTURES

[illegible]

MONEY MARKETS

## Lower UK rates on pound and polls

INTEREST RATES were slightly easier in London yesterday. This was the first real sign of movement since last month's downward pressure which was effectively scotched by the authorities and also by sterling's vulnerability to bad opinion polls for the Conservative Party. The latter factor has effectively been reversed while encouraging figures on PSBR and unemployment as well as better than expected trade figures together wih sterling's strong performance against a weak dollar have revived thoughts of lower interest rates.

**UK clearing bank base lending rate 10 per cent since March 18-19**

While the authorities will be unwilling to rock the boat ahead of the growing possibility of a June election, sterling's continued improvement, despite intervention by the Bank of England, could possibly provoke another cut in base rates not only to hold down sterling but also to accelerate the tempo before an election.

Three-month interbank money fell to 9⁹⁄₁₆-9⁷⁄₁₆ per cent from 9¾-9⅝ per cent, but the authorities were not prepared to give away any hints especially since the timing of the next general election was still open to doubt.

Overnight money opened at 10¾-10½ per cent and rose to 11 per cent before coming back to 10¾-10½ per cent. During the afternoon balances were taken up to 12 per cent before finishing nearer 10 per cent. The apparent underhelp was to some extent reflective of the market's increased euphoria with some discount houses testing the bank's resolve earlier in the day with bids below established rates.

The Bank of England forecast a shortage of around £400m with factors affecting the market including repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £833m and banks' balances brought forward £155m below target. These were partly offset by Exchequer transactions which added £235m and a fall in the note circulation of £345m.

The forecast was revised to a shortage of around £450m but there was no assistance provided by the authorities during the morning.

In the afternoon the Bank gave help of £274m through outright purchases of £4m of Treasury bills, £14m of local authority bills and £184m of eligible bank bills.

### FT LONDON INTERBANK FIXING

(11.00 a.m. April 27) 3 months U.S. dollars: bid 7⅛, offer 7¼ · 6 months U.S. dollars: [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK (Lunchtime)**

Prime rate 7¾; Broker loan rate 7½-7¾; Fed. funds 6⅝; Fed. funds at intervention 6⅝. Treasury Bills and Bonds: [illegible]

| Apr. 27 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 3.50-3.60 | 3.80-3.90 | 3.80-3.90 | [illegible] | [illegible] | [illegible] |
| Paris | 7⅞-7⅝ | 7⅞-8⅛ | 7⅞-8⅛ | [illegible] | [illegible] | [illegible] |
| Zurich | ¾-1⅛ | 3½-3⅝ | — | [illegible] | [illegible] | [illegible] |
| Amsterdam | 5⅛-5⅜ | 5⅛-5⅜ | — | [illegible] | [illegible] | [illegible] |
| Tokyo | 3.53125 | 3.84375 | — | [illegible] | [illegible] | [illegible] |
| Milan | 10-10½ | 9⅞-10⅛ | — | [illegible] | [illegible] | [illegible] |
| Brussels | 5.25 | 7⅛-7⅜ | — | [illegible] | [illegible] | [illegible] |
| Dublin | 12⅛-12⅜ | 11⅞-11⅝ | 11⅞-11 | [illegible] | [illegible] | [illegible] |

### LONDON MONEY RATES

| Apr. 27 | Overnight | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 12-10 | 10⅛-10 | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Local Authority Deposits | 10⅛-10⅛ | 10⅛-10 | [illegible] | [illegible] | [illegible] | [illegible] |
| Local Authority Bonds | — | — | 10 | [illegible] | [illegible] | [illegible] |
| Discount M'ket Deposits | 10 | 9⅞ | [illegible] | [illegible] | [illegible] | [illegible] |
| Company Deposits | — | 10⅛ | [illegible] | [illegible] | [illegible] | [illegible] |
| Finance House Deposits | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Treasury Bills (Buy) | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Bank Bills (Buy) | — | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Fine Trade Bills (Buy) | — | — | 10⅛ | [illegible] | [illegible] | [illegible] |
| Dollar CDs | — | — | 6.75-6 | [illegible] | [illegible] | [illegible] |
| SDR Linked Deposits | — | — | 6⅛-5 | [illegible] | [illegible] | [illegible] |
| ECU Linked Deposits | — | — | 7⅛-6 | [illegible] | [illegible] | [illegible] |

Treasury Bills (sell); one-month 9⅞ per cent; three-months 9⅝ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅛ per cent; Treasury Bills: Average tender rate of discount 9.1751 p.c. ECGD Fixed Finance Scheme IV reference date February 28 to March 31 (inclusive): 10.053 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from April 1, 1987; Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 9¼ per cent; three-six months 9¼ per cent; six-nine months 9¼ per cent; nine-12 months 9⅞ per cent; Under £100,000 8 per cent from April 16. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

## £ WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on April 27, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

[illegible]

# WORLD MARKETS

## FT-ACTUARIES WORLD INDICES

**Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries**

| NATIONAL AND REGIONAL MARKETS<br>Figures in parentheses show number of stocks per grouping | FRIDAY APRIL 24 1987 US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | DOLLAR INDEX 1987 High | 1987 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|
| Australia (94) | 130.65 | +1.5 | 116.89 | 122.52 | 2.86 | 134.48 | 99.92 | 94.28 |
| Austria (16) | 93.71 | +1.4 | 83.85 | 87.03 | 2.11 | 101.62 | 91.97 | 88.85 |
| Belgium (47) | 122.35 | +2.3 | 109.47 | 132.39 | 4.16 | 122.35 | 96.19 | 82.84 |
| Canada (131) | 126.32 | −1.3 | 113.02 | 122.11 | 2.29 | 136.17 | 100.00 | 100.21 |
| Denmark (39) | 114.32 | +1.2 | 102.28 | 104.87 | 2.37 | 124.10 | 98.18 | 108.87 |
| France (122) | 121.08 | +1.0 | 108.34 | 113.44 | 2.30 | 121.08 | 98.39 | 95.18 |
| West Germany (90) | 94.61 | −0.1 | 84.65 | 88.09 | 2.09 | 100.33 | 84.00 | 93.88 |
| Hong Kong (45) | 102.87 | −0.5 | 92.04 | 103.00 | 3.20 | 114.71 | 96.89 | 74.90 |
| Ireland (14) | 121.21 | +1.5 | 108.45 | 114.35 | 3.66 | 131.44 | 99.50 | 92.20 |
| Italy (76) | 111.21 | +1.2 | 99.50 | 106.14 | 1.52 | 111.21 | 94.76 | 89.76 |
| Japan (458) | 157.78 | +0.8 | 141.17 | 139.33 | 0.47 | 157.78 | 100.00 | 73.17 |
| Malaysia (36) | 153.30 | +1.1 | 137.16 | 145.89 | 2.61 | 153.30 | 98.24 | 68.82 |
| Mexico (14) | 157.40 | +3.7 | 140.83 | 201.87 | 1.06 | 159.57 | 99.72 | 52.95 |
| Netherland (38) ● | 115.17 | +0.2 | 103.05 | 106.21 | 4.12 | 118.24 | 99.65 | 89.13 |
| New Zealand (27) | 94.36 | −0.9 | 84.43 | 85.96 | 3.15 | 100.59 | 83.93 | 70.68 |
| Norway (24) | 139.79 | +4.7 | 125.07 | 126.46 | 1.97 | 139.79 | 100.00 | 104.23 |
| Singapore (27) | 126.67 | +0.4 | 113.33 | 124.04 | 1.89 | 126.67 | 99.29 | 56.68 |
| South Africa (61) | 172.32 | −3.3 | 154.18 | 121.52 | 3.48 | 186.74 | 100.00 | 94.50 |
| Spain (43) | 116.48 | +0.5 | 104.22 | 110.44 | 3.42 | 121.31 | 100.00 | 83.38 |
| Sweden (33) | 123.51 | +1.7 | 110.51 | 114.14 | 2.00 | 123.51 | 90.85 | 92.16 |
| Switzerland (51) | 98.46 | +0.9 | 88.10 | 89.24 | 1.89 | 104.06 | 93.26 | 84.84 |
| United Kingdom (342) | 133.98 | +2.9 | 119.88 | 119.88 | 3.44 | 133.98 | 99.65 | 99.77 |
| USA (597) | 115.56 | −1.8 | 103.39 | 115.56 | 3.11 | 124.06 | 100.00 | 101.76 |
| Europe (935) ● | 117.78 | +1.7 | 105.38 | 107.77 | 2.86 | 117.78 | 99.78 | 94.46 |
| Pacific Basin (687) ● | 154.75 | +0.8 | 138.46 | 137.41 | 0.61 | 154.75 | 100.00 | 73.89 |
| Euro—Pacific (1622) ● | 140.00 | +1.1 | 125.26 | 125.61 | 1.37 | 140.00 | 100.00 | 82.00 |
| North America (728) ● | 116.13 | −1.7 | 103.90 | 115.93 | 3.06 | 124.60 | 100.00 | 101.68 |
| World Ex. US (1828) ● | 139.87 | +0.9 | 125.15 | 125.55 | 1.42 | 139.87 | 100.00 | 82.74 |
| World Ex. UK (2083) ● | 130.02 | −0.3 | 116.33 | 122.24 | 1.86 | 131.27 | 100.00 | 89.30 |
| World Ex. So. Af. (2364) ● | 130.09 | +0.0 | 116.40 | 121.98 | 2.00 | 130.72 | 100.00 | 90.16 |
| World Ex. Japan (1967) ● | 117.33 | −0.5 | 104.98 | 113.29 | 2.99 | 121.08 | 100.00 | 98.34 |
| The World Index (2425) ● | 130.36 | +0.0 | 116.64 | 122.00 | 2.01 | 131.01 | 100.00 | 90.19 |

Base values: Dec 31, 1986 = 100

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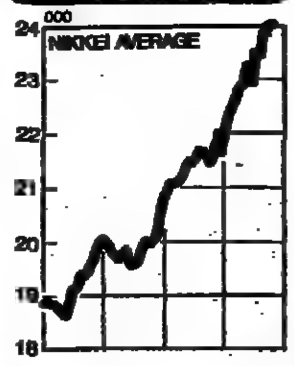
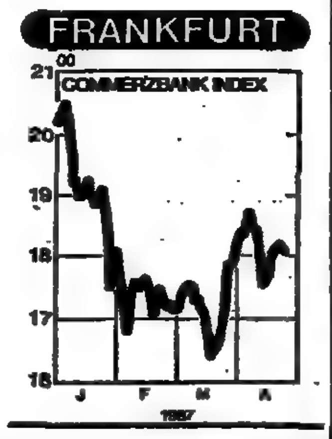
Latest prices unavailable for this edition.

● Corrected indices for April 24.

## TOKYO




## FRANKFURT




## EUROPEAN OPTIONS EXCHANGE

| Series | | May 87 Vol. | Last | Aug 87 Vol. | Last | Nov 87 Vol. | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $420 | 210 | 56.50 | 117 | 69A | 20 | 81 | $473.80 |
| GOLD C | $440 | 163 | 37 | 57 | 55A | 64 | 68 | " |
| GOLD C | $460 | 429 | 23.50 | 258 | 41 | 46 | 53A | " |
| GOLD C | $480 | 937 | 13 | 2081 | 33 | 176 | 42A | " |
| GOLD P | $360 | — | — | 176 | 0.50 | — | — | " |

TOTAL VOLUME IN CONTRACTS: 43,361

A=Ask B=Bid C=Call P=Put

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 10 | ● Charterhouse Bank | 10 | | |
| Adam & Company | 10 | Citibank NA | 10 | | |
| Allied Arab Bk Ltd | 10 | Citibank Savings | | | |
| Allied Dunbar & Co | 10 | City Merchants Bank | | | |
| Allied Irish Bank | 10 | Clydesdale Bank | | | |
| American Exp. Bk | 10 | Comm. Bk. N. East | | | |

● Members of the Accepting Houses Committee. * 7-day deposits 5.35%. Sureshot 8.07%. Top Tier—£2,500+ at 3 months' notice 9.30%. At call when £10,000+ [illegible] deposited. ‡ Call deposits £1,000 and over 5¾% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 11.25%.



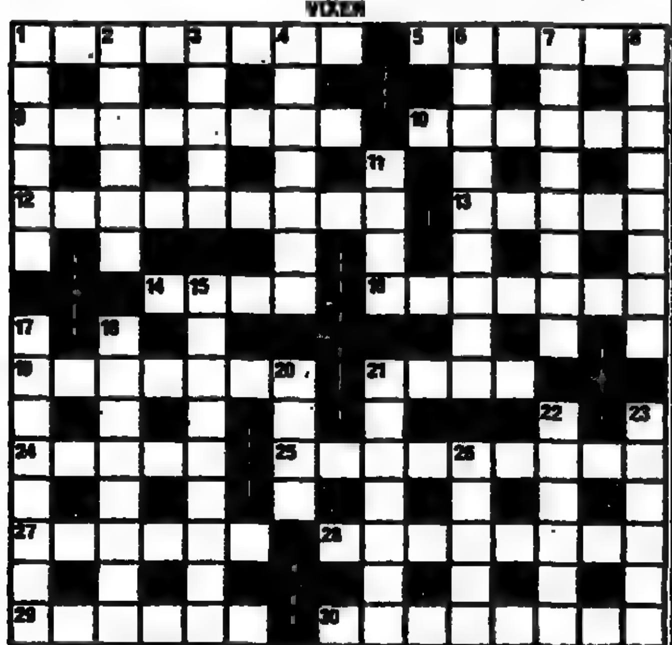
## BANK LEU

**Owing to a typographical error in the Switzerland survey (International edition today, London edition April 27) figures for the performance of the Bank Leu have been wrongly attributed to Bank Leumi. The relevant figures are:**

| | Bank Leu 1986 | % change over 1985 |
|---|---|---|
| Balance sheet (SFr bn) | 14.2 | +9.5 |
| of which: Loans and advances to clients | 4.2 | +15.3 |
| Clients' deposits | 7.0 | +49.7 |
| Due from banks | 6.2 | +1.2 |
| Due to banks | 5.1 | +7.8 |
| Net profits (SFr m) | 55.7 | +21.0 |
| Net interest | 55.8 | +16.0 |
| Net commissions | 83.8 | +21.3 |
| Earnings from foreign exchange (precious metals trading | 44.2 | +1.4 |

## F.T. CROSSWORD PUZZLE NO. 6,313

VIXEN



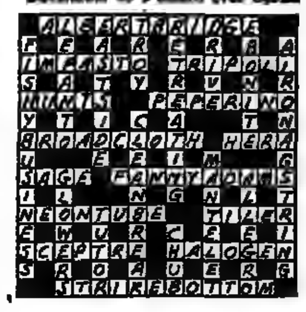

**ACROSS**

1 Moved with labour—it spread confusion (8)
5 Everything in defective framing will go for a song (8)
9 Duplicator salesman standing by a consumer (8)
10 If sent back to an establishment he's engaged (6)
12 Disgusting homes—a lot must be changed (9)
13 Places for storing casts (5)
14 A bit of land is to be given to the French (4)
16 Make a song about the cover slipping (7)
19 Get half done before a 20 down, being most systematic (7)
21 One note remains, and that's money! (4)
24 A quarter come down for the big game (5)
25 Heaps more are to be transcribed into code (9)
27 Twisted Edward out of victory (6)
28 Fence taking friend aside maybe (8)
29 Many go fishing and swing for it! (6)
30 Flats accommodating adults in principle (8)

**DOWN**

1 Vibration caused by the endlessly flowing water (6)
2 Make a request for a copper ring (6)
3 Every one is after soft fruit (5)
4 Regards a foreign coin as an unacceptable thing (7)
6 Going bad—is dampish in the middle (9)
7 Ladies' wear offered by the undercover agent? (8)
8 Writing a doctor a letter—a time for some manoeuvring (8)
11 Stabling for high-fliers? (4)
15 A plant to cover the ground quickly and splendidly (9)
17 Certainly including the National Trust—it's so ordered (8)
18 A countryman is able to aid an organisation (8)
20 Try to find points in not drinking (4)
21 Top military man and politician are set against each other (7)
22 To prosecute with the exertion of some pull (6)
23 When fed-up scoff, that's best (6)
26 The lions looked sound (5)

**Solution to Puzzle No. 6,312**




## FT UNIT TRUST INFORMATION SERVICE

### AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

### MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

| | | | | |
|---|---|---|---|---|
| High Inc | 273.8 | 291.2 | +0.6 | 5.10 |
| (Accum Units) | 338.4 | 360.0 | | 5.10 |
| UK Growth | 341.7 | 363.5 | -0.1 | 2.42 |
| (Accum Units) | 363.0 | 386.1 | -1.2 | 2.42 |

### MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

| | | | | |
|---|---|---|---|---|
| MLA Gen. Tst. | 40.3 | 42.7 | -0.2 | 1.75 |
| MLA Income Trust | 54.7 | 57.9 | +0.2 | 3.88 |
| MLA Int. | 60.2 | 63.8 | -1.5 | 0.89 |
| MLA Gilt Unit Tst. | 26.0 | 26.7 | +0.1 | 9.73 |
| MLA European Trust | 34.8 | 36.8 | -0.3 | 0.67 |
| MLA American Tst. | 26.1 | 27.3 | -0.7 | 0.90 |
| MLA Emerging Mkts. Tst. | 23.8 | 25.2 | -0.1 | 0.70 |

### ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

| | | | | |
|---|---|---|---|---|
| Gilt&Fxd Inc. | 120.2 | 124.4 | | 7.03 |
| Growth Units | 97.8 | 103.9 | | 2.42 |
| High Income Unit | 137.5 | 146.1 | | 4.04 |
| High Yielding Gilt Uts | 60.7 | 62.9 | | 8.41 |
| Intl Growth Unit Tst | 154.2 | 162.2 | | 0.18 |
| UK Smaller Cos. | 110.5 | 117.4 | | 1.59 |
| North American | 82.1 | 87.2 | | 0.34 |
| Far East | 143.1 | 152.1 | | 0.02 |

### Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

| | | | | |
|---|---|---|---|---|
| Income April 13 | 296.0 | 314.9 | | 3.95 |
| General April 13 | 231.8 | 246.6 | | 1.99 |
| International April 13 | 155.0 | 164.9 | | 0.64 |

[illegible]

### Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

| | | | | |
|---|---|---|---|---|
| International Growth | 295.5 | 314.4 | -7.3 | 0.47 |
| Income | 227.2 | 242.0 | -1.8 | 3.67 |
| Worldwide Recovery | 161.9 | 172.8 | -3.5 | 1.64 |
| American Growth | 70.4 | 75.2 | -2.0 | 0.92 |
| Intl. Emerging Cos. | 89.9 | 96.0 | -1.4 | 0.70 |
| Far East Growth Fd. | 96.8 | 103.4 | -0.3 | 0.79 |
| European Growth Fd. | 64.1 | 68.5 | -0.9 | 1.04 |

### Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544

| | | | | |
|---|---|---|---|---|
| Prolific American Inc. | 57.8 | 61.5 | | 3.84 |
| Prolific C'vert & Gilt | 117.0 | 124.5 | | 4.71 |
| Prolific Euro Growth | 51.1 | 54.4 | -0.3 | 2.59 |
| Prolific Extra Inc. | 115.5 | 123.1 | | 3.98 |
| Prolific Far East | 203.9 | 218.3 | -4.90 | — |
| Prolific High Inc. | 78.4 | 83.9 | +0.7 | 3.29 |
| Prolific Intl | 142.3 | 151.6 | -3.0 | 0.26 |
| Prolific N. Amer. | 128.2 | 137.2 | | — |
| Prolific Spec. Sits | 94.4 | 101.0 | | 0.81 |
| Prolific Technology | 137.5 | 147.1 | -2.4 | — |

### Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Inc. | 97.5 | 104.7 | -3.3 | — |
| Japan Acc. | 97.7 | 105.1 | -3.4 | — |
| Worldwide Inc. | 76.7 | 81.7 | -1.1 | 1.10 |
| Worldwide Acc. | 78.2 | 83.2 | -1.0 | 1.10 |
| European Tst Inc | 94.6 | 101.8 | -0.8 | 0.94 |
| European Tst Acc. | 95.3 | 102.5 | -0.8 | 0.94 |
| North American Inc. | 60.6 | 65.2 | -1.9 | 1.32 |
| North American Acc. | 61.3 | 66.0 | -2.0 | 1.32 |
| UK Equity Inc. | 80.1 | 85.9 | -0.7 | 1.94 |
| UK Equity Acc. | 83.7 | 90.1 | -0.7 | 1.94 |

[illegible]

### Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU

| | |
|---|---|
| Peg Eq Acc. | 332.2 |
| Peg Eq Inc. | 282.1 |
| Peg High Inc Acc. | 154.2 |
| Peg High Inc. | 147.2 |
| Peg Europe Acc. | 154.2 |
| Peg Europe Inc. | 153.0 |
| Peg N Amer | 103.6 |
| Peg N. Amer Inc. | 102.9 |
| Peg Pacific Acc. | 222.2 |
| Peg Global Acc. | 139.5 |
| Peg Global Inc. | 138.2 |

### Sentinel Funds Mngmt Ltd
30 City Road, London EC1Y 2AY

Dealing: 01-628 6626

| | |
|---|---|
| American Majors | 70.9 |
| Amer Tech & Genl Fd. | 114.0 |
| European Growth | 43.0 |
| European Income | 57.3 |
| European Special Sits. | — |
| Exempt | 778.6 |
| Far East Emerg Econs. | — |
| Intnl Growth Fd. | 50.0 |
| International Income | 61.8 |
| Jap Tech & Genl | 131.3 |
| Pacific Fund | 244.0 |
| Secure Income Fd. | 208.2 |
| Small Co's Fd | 57.5 |
| Special Sits | 297.7 |
| UK General Fund | 44.6 |
| UK Top 100 Managed Fd. | — |

[illegible]

## INSURANCES

[illegible]

Contd. on next Page

# FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.

National Mutual Life

Providence Capital Life—Contd.

Royal Heritage Life Assur.—Contd.

Skandia Life Assur.—Contd.

Target Life Assurance Co. Ltd.

Marsh Financial Management Ltd

Bridge Management Ltd

MGM Assurance

National Mutual of Australasia

National Provident Institution

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Manufacturers Life Insurance Co (UK)

Norwich Union Asset Management Ltd

Royal Life Insurance Ltd

Merchant Investors Assurance

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Scottish Amicable Investments

Scottish Equitable Life Assc. Soc.

Reliance Mutual

Royal Heritage Life Assurance Ltd

Scottish Life Investments

Municipal Life Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Scottish Mutual Assurance Society

Scottish Mutual Investments

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Scottish Provident Institution

Scottish Widows' Group

NM Schroder Life Assurance Ltd

Providence Capital Life Ass. Co Ltd

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Standard Life Assurance Company

MANAGEMENT SERVICES

Target Life Assurance Co. Ltd.

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

Noble Lowndes & Partners Ltd

The Norwich Group

The Porchester Group

Tyndall Assurance/Pensions see Albion Life

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur Co Ltd

Shaw (Albert E.) & Co

University Medical General Ltd

J. H. Ward & Co Ltd

55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2248

| | | | | |
|---|---|---|---|---|
| Target Mngd Bond | [illegible] | [illegible] | [illegible] | — |
| Target Mngd Pension | [illegible] | [illegible] | [illegible] | — |
| Albany Mngd Bond | [illegible] | [illegible] | — | — |
| Albany Mngd Pension | 213.9 | [illegible] | — | — |

Yorkshire & Lancashire Investment Mgt.

2 Parson Lane, Clitheroe, BB7 2JN 0200 [illegible]

| | | | | |
|---|---|---|---|---|
| Growth & Income (Orf) | [illegible] | [illegible] | — | — |
| Ultra Bond (Day.M) | 159.4 | [illegible] | — | — |
| Flexible Managed (Rest) | 160.2 | [illegible] | — | — |
| Global Managed (Solar) | 151.5 | [illegible] | — | — |
| Security (Scot Mutual) | 106.1 | [illegible] | — | — |
| Pension Fund (Day.M) | [illegible] | [illegible] | — | — |

## OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

37 rue Notre Dame, Luxembourg Tel: 47971

Adig Investment

Postfach 708, 8000 Munich 1

Albany Fund Management Limited

PO Box 73, St Helier, Jersey

Next dealing May 1.

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man

Alexander Fund (Bermuda) Ltd

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Allied Irish Fund Managers (CI) Ltd

Anglo-Swiss Assets Management Ltd

Asset Global Funds Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

BNP Inv Mgmt (Jersey) Ltd

Ashville Fund Mgt Ltd

Julius Baer Bank & Trust Co Ltd

Barclays Unicorn International

Baring International Group

Bridge Singapore Asset Mngmnt Ltd

Brown Shipley Fund Mngmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CRC Asset Management Limited

Capital International

Cater Allen Investment Management (CI)

Charterhouse Bank

Charterhouse Fund Mngt. (C.I.) Ltd

Citibank (CI) Ltd "Citifunds"

Cortexa International

Craigmount Fund Int. Mgrs. (Jersey) Ltd

Credit Suisse

DWS Deutsche Ges. F. Wertpapier

Daiwa Investment Trust Co Ltd

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

EBC Trust Company (Jersey) Ltd

Equity & Law International Life Assur Co Ltd

Europe Obligations SA

European Life (Channel Islands) Ltd

# FT UNIT TRUST INFORMATION SERVICE

[illegible]

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1987 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | "Shorts" (Lives up to Five Years) | | | | |
| [illegible] | [illegible] | Funding 6½pc 85-87 | [illegible] | — | — | — |
| [illegible] | [illegible] | Treas. 10pc 1987 | [illegible] | — | 10.00 | 9.75 |
| [illegible] | [illegible] | Treas 3pc 1987 | [illegible] | — | 3.03 | 7.51 |
| [illegible] | [illegible] | Treas. 12pc 1987 | [illegible] | [illegible] | 11.83 | 9.08 |
| [illegible] | [illegible] | Treas 7¾pc 1985-88‡‡ | [illegible] | [illegible] | 7.82 | 8.91 |
| [illegible] | [illegible] | Exch 10½pc '88 | [illegible] | [illegible] | 10.35 | 8.99 |
| [illegible] | [illegible] | Treas 9¾pc Cv '88 | [illegible] | [illegible] | 4.69 | 9.09 |
| [illegible] | [illegible] | Transport 3pc '78-88 | [illegible] | — | 3.12 | 6.41 |
| [illegible] | [illegible] | Treas. 9½pc '88 | [illegible] | [illegible] | 9.44 | 9.02 |
| [illegible] | [illegible] | Treas 11½pc 1989 | [illegible] | [illegible] | 11.05 | 9.02 |
| [illegible] | [illegible] | Treas 9½pc Cnv 1989 | [illegible] | [illegible] | 9.43 | 9.04 |
| [illegible] | [illegible] | Treas 3pc 1989 | [illegible] | — | 3.23 | 6.74 |
| [illegible] | [illegible] | Treas 10½pc 1989 | [illegible] | [illegible] | 10.24 | 9.11 |
| [illegible] | [illegible] | Exch 10pc 1989 | [illegible] | [illegible] | 9.81 | 9.04 |
| [illegible] | [illegible] | Exch 11pc 1989 | [illegible] | [illegible] | 10.56 | 9.01 |
| [illegible] | [illegible] | Treas 5pc 1986-89 | [illegible] | [illegible] | 5.34 | 7.84 |
| [illegible] | [illegible] | Exch 10¼pc Cv '89 | [illegible] | [illegible] | 9.70 | 7.73 |
| [illegible] | [illegible] | Treas 13pc 1990‡‡ | [illegible] | [illegible] | 11.84 | 8.82 |
| [illegible] | [illegible] | Exch 11pc 1990‡‡ | [illegible] | [illegible] | 10.48 | 8.95 |
| [illegible] | [illegible] | Exch. 12½pc 1990 | [illegible] | [illegible] | 11.48 | 8.95 |
| [illegible] | [illegible] | Treas. 3pc 1990 | [illegible] | [illegible] | 3.39 | 6.85 |
| [illegible] | [illegible] | Treas 8¼pc 1987-90‡‡ | [illegible] | [illegible] | 8.38 | 8.74 |
| 104 | [illegible] | Treas. 10pc Cv 1990 | [illegible] | [illegible] | 9.70 | 8.95 |
| [illegible] | [illegible] | Exch 2½pc 1990 | [illegible] | [illegible] | 2.88 | 6.69 |
| [illegible] | [illegible] | Treas 11¾pc 1991 | [illegible] | [illegible] | 10.82 | 8.97 |
| [illegible] | [illegible] | Funding 5¾pc '87-91‡‡ | [illegible] | [illegible] | 6.16 | 7.73 |
| [illegible] | [illegible] | Treas. 3pc 1991 | [illegible] | [illegible] | 3.47 | 6.90 |
| [illegible] | [illegible] | Treas 10pc Cv '91 | [illegible] | [illegible] | 9.24 | 9.67 |
| [illegible] | [illegible] | Exch. 11pc 1991 | [illegible] | [illegible] | 10.29 | 8.91 |
| [illegible] | [illegible] | Treas 12¾pc 1992‡‡ | [illegible] | [illegible] | 11.13 | 8.89 |

[illegible]

### Five to Fifteen Years

[illegible]

### Over Fifteen Years

[illegible]

### Undated

[illegible]

## BRITISH FUNDS—Contd

### Index-Linked

[illegible]

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

### Building Societies

[illegible]

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

## FOREIGN BONDS & RAILS—Contd

[illegible]

## AMERICANS

[illegible]

Continued on next page

[illegible]

## Money Market Bank Accounts

[illegible]

## Money Market Trust Funds

[illegible]

### UNIT TRUST NOTES

[illegible]

# LONDON SHARE SERVICE

## AMERICANS—Continued

| 1987 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 28¾ | 24⅝ | Sara Lee $1 | 26xd | −1½ | $2.00 | — | 4.7 |
| 10⅞ | 10⅟₁₆ | Saul (B. F.) $1 | 10¼ | −⅛ | 20c | — | 1.2 |
| 79 | 62¾ | Southwestern Bell $1 | 63½ | −⅛ | $6.96 | — | 6.7 |
| 17⅛ | 15⅛ | Staley Continental | 15⅝ | −⅛ | 80c | — | 3.1 |
| 44⅞ | 36⅛ | Sun Co. Inc. $1 | 37⅞xd | −1⅛ | $3.00 | — | 5.0 |
| 74 | 60⅞ | TRW Inc. $1¼ | 68⅞xd | −⅞ | $3.20 | — | 3.2 |
| 31 | 26⅛ | Tenneco $5 | 27⅞ | −⅞ | $3.04 | — | 6.8 |
| 187½ | 152½ | Do. 10pc Ln.Stk. 91-5 | 187½xd | ...... | 10% | — | 5.4 |
| 26⅛ | 17⅞ | Texaco $6.25 | 18⅛xd | −½ | $3.00 | — | 9.8 |
| 57⅛ | 53⅞ | Time Inc. $1 | 52⅞ | −1⅞ | $1.00 | — | 1.2 |
| 14½ | 12 | Tracor $0.33 | 12 | −⅛ | 36c | — | 1.8 |
| 24⅛ | 19¾ | Transamerica $1 | 19¾xd | −⅛ | $1.76 | — | 5.4 |
| 11 | 967p | Transworld Corp $5 | 10⅛ | −⅛ | 20c | — | 1.2 |
| 42⅛ | 29⅛ | TRINOVA Corp. | 37⅞ | −⅛ | h$1.00 | — | 1.6 |
| 18⅛ | 17⅛ | ¶USX $1 | 17⅛ | −⅛ | $1.20 | — | 4.3 |
| 18½ | 17⅞ | Union Carbide $1 | 16⅞ | −⅞ | $1.50 | — | 5.4 |
| 31⅞ | 26⅞ | Utd. Technologies | 26⅞ | −⅞ | $1.40 | — | 3.2 |
| 38⅛ | 29⅛ | US West | 29⅛ | −⅛ | $3.28 | — | 6.8 |
| 33⅞ | 31⅛ | ¶Woolworth $3½ | 28⅞ | −1⅛ | $1.32 | — | 2.8 |

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Cont

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

هكذا اصل الأصل

# LONDON SHARE SERVICE

## INSURANCES—Continued

## LEISURE

## MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PAPER, PRINTING—Continued

## PROPERTY

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TEXTILES—Cont.

## TOBACCOS

## TRUSTS, FINANCE, LAND

Investment Trusts

## FINANCE, LAND—Cont.

Finance, Land, etc

## OIL AND GAS

## OIL AND GAS—Continued

## OVERSEAS TRADERS

## PLANTATIONS

Rubbers, Palm Oil

Teas

## MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

## MINES—Continued

Tins

Miscellaneous

## THIRD MARKET

## NOTES

x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p | 73 | — |
| Craig & Rose £1 | £15¼ | — |
| Finlay Pkg. 5p | 76 | — |
| Holt (Jos) 25p | 915 | +2 |
| IoM Stm. £1 | 98 | — |
| IRISH | | |
| Fund 11¼% 1988 | £100¼ | — |
| Nat. 9¾% 84/89 | £97¾ | — |
| Fin. 13% 97/02 | £114¼ | — |
| Arnotts | 510 | — |
| CPI Hldgs | 57 | +2 |
| Carroll Inds. | 123 | — |
| Dublin Gas | 18 | −5 |
| Hall (R. & H.) | 104 | — |
| Heiton Hldgs. | 27 | — |
| Irish Ropes | 158 | — |
| Unidare | 350 | — |

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 35 |
| Amstrad | 16 |
| BAT | 47 |
| BOC Grp. | 42 |
| BSR | 12 |
| BTR | 30 |
| Babcock | 19 |
| Barclays | 47 |
| Beecham | 48 |
| Blue Circle | 62 |
| Boots | 25 |
| Bowaters | 37 |
| Brit Aerospace | 58 |
| Brit. Telecom | 20 |
| Burton Ord | 23 |
| Cadburys | 22 |
| Charter Cons. | 30 |
| Comm Union | 29 |
| Courtaulds | 35 |
| FNFC | 20 |
| Gen Accident | 80 |
| GEC | 18 |
| Glaxo | 110 |
| Grand Met | 40 |
| GUS 'A' | 100 |
| Guardian | 85 |
| GKN | 30 |
| Hanson Tst. | 15 |
| Hawker Sidd | 50 |
| ICI | 80 |
| Jaguar | 52 |
| Ladbroke | 40 |
| Legal & Gen | 25 |
| Lex Service | 35 |
| Lloyds Bank | 48 |
| Lucas Inds. | 55 |
| Marks & Spencer | 18 |
| Midland Bk | 55 |
| Morgan Grenfell | 35 |
| NEI | 8 |
| Nat West Bk | 55 |
| P & O Dfd | 55 |
| Plessey | 20 |
| Polly Peck | 28 |
| Racal Elect | 20 |
| RHM | 30 |
| Rank Org Ord | 55 |
| Reed Intnl | 42 |
| STC | 20 |
| Sears | 12 |
| TI | 55 |
| TSB | 8 |
| Tesco | 42 |
| Thorn EMI | 50 |
| Trust Houses | 29 |
| Turner Newall | 24 |
| Unilever | 150 |
| Vickers | 55 |
| Wellcome | 50 |
| **Property** | |
| Brit Land | 17 |
| Land Securities | 30 |
| MEPC | 32 |
| Peachey | 30 |
| **Oils** | |
| BOM | 3½ |
| Brit Petroleum | 60 |
| Burmah Oil | 38 |
| Charterhall | 4 |
| Premier | 4 |
| Shell | 75 |
| Tricentrol | 11 |
| Ultramar | 17 |
| **Mines** | |
| Cons Gold | 65 |
| Lonrho | 24 |
| Rio T Zinc | 65 |

A selection of Options traded is given on the London Stock Exchange Report Page

**Account Dealing Dates**

| *First Dealings | Option Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Apr 6 | Apr 23 | Apr 24 | May 5 |
| Apr 27 | May 7 | May 8 | May 18 |
| May 11 | May 28 | May 29 | Jun 8 |

* New time dealings may take place from 9.00 am two business days earlier.

# Equities and Government bonds fall back as foreign investors withdraw support

International factors reasserted themselves in the UK securities markets yesterday, bringing a sharp reaction in the equity market and a downturn in bond prices. With Friday's huge fall in Tokyo stocks and a renewed slide in the dollar providing a turbulent setting for the trade tlaks between the Japanese premier and the US president, the international funds backed off in London.

Selling of UK equities was persistent rather than heavy, and the market closed above its worst levels, despite another poor start by Wall Street.

Domestic investors remained relatively bullish, as the new equity account opened following a weekend of growing confidence in the likelhood of a mid-June election in a climate favourable to the Thatcher Government. But the absence of foreign buyers left such recent share favourites as **Glaxo, Jaguar and British Telecom** *on the downward slope.*

The FT-SE 100 index closed 14.9 down at 1986.6, after showing a 21 point fall in early afternoon. The FT ordinary index at 1565.2 was 15.7 down.

The strength of the pound, while continuing to support the chances of another cut in UK interest rates, bore down on the exporting stocks.

**Imperial Chemical Industries**, with first quarter profit figures due today, suffered only a minor fall despite the general malaise of the equity market. Oil shares were already on the slide when Wall Street fulfilled expectations by opening with a heavy loss. Pharmaceutical stocks, vulnerable to worries about the outlook for Japanese investment in London equities, had a weak spot in **Wellcome**, which will announce halftime profits today.

The exception was **Fisons**, which moved up smartly as a London brokerage house recommended the stock. **RTZ** stood out in a firm gold-related sector but turnover was unexciting.

The gilt-edged marke had "a very odd day," commented a major dealer. Prices opened a shade higher, on some light buying support from Japan, but soon traded downwards in the face of a gloomy performance by New York bonds, both in the US and in Far Eastern and European centres.

At mid-morning, the market briefly passed a sensitive barrier when New York and London bond yields crosses, and UK rates moved below their transatlantic counterparts. US bonds then rallied, and at the London close, US long bonds returned 8.78 per cent and UK bonds 8.9 per cent—a narrow enough gap at a time when US *rates could be forced up to protect* the dollar.

While some London analysts believe that a strong pound—yesterday at its highest against the dollar in the present cycle—will allow British interest rates to be cut, others questions whether British rates can fall in the face of an *upward* trend in the US.

Clearing banks succumbed to profit-taking after last week's sharp gains which greeted Japan's plan to lend up to $30bn to Latin American debtor nations. **Lloyds** lost 16 at 518p and **NatWest** 15 at 590p, while **Midland** gave up 11 at 659p. **Barclays** relinquished 5 at 515p. Elsewhere, **Standard Chartered** came on offer and closed 11 easier at 813p. Comment on the appointment of Mr John Craven as group chief executive helped **Morgan Grenfell** touch 382p before closing 4 dearer on balance at 381p.

A couple of firm featuresemerged in an otherwise drab Insurance sector. **Sun Life**, rumoured of late to be a possible bid target of the TSB, improved ¼ more to £12¼, on Press speculation that an offer could be on the way from Liberty Life, the South African conglomerate which holds a 26 per cent stake in the company, if it is unsuccessful in its attempt to put 3 of its directors on the 18-man board of Sun Life at the annual meeting to be held on May 13. Lloyds broker **Minet Holdings**, meanwhile, advanced 8 to *270p in reply to an investment* recommendation.

**Cambridge Isotope Laboratories** staged a sparking debut in the Unlisted Securities Market; the shares, placed at 55p, opened at 68p and raced up to 81p prior to closing at 78p, a first-day premium of 23.

A report that Malaysian businessman Mr Ong Beng Seng had sold part of the 13.5m shareholding dragged **Allied-Lyons** back from a higher morning level and the close was unaltered at 392p. **Vaux** were quoted in ex-rights form at 553p with the new *nil-paid shares at 79p, after 74p.*

Building issues made a selectively firm showing. **George Wimpey** put on 9½ to 210½p on rumours of a broker's circular, while **John Laing** gained a similar amount to 463p following renewed demand in a restricted market. **Tarmac** were 8½ higher at 526½p awaiting today's annual results, while **RMC** hardened 5½ to 818p xd. **Redland** *touched 449p prior to* closing 4½ higher at 446½p on news of the proposed offer from CSR for its 49.9 per cent stake in Monier. **Raine Industries** gained 4 to 131½p reflecting revived demand, while **Tilbury Group**, in which Raine holds a sizeable stake, gained 20 to 312p, after favourable Press comment.

ICI were a fraction easier at £12½ awaiting today's first-quarter figures. Elsewhere in the Chemical sector, **Coates Brothers** Ordinary firmed 4 to 257p and the A added 3 to 210p on news that **Markheath Securities**, 7 up at 110p, *had acquired Adelaide Steamship's* stake in the company via an £18m deal.

The emphasis in Stores switched to the secondary issues. **John Menzies** rose 12 to 392p in response to the annual results and Press-inspired gains of 5 and 10 respectively were seen in **Lloyds the Chemists**, 195p, and **Jacques Vert**, 305p. **Debfer** found renewed support at 310p, up 13, while speculative buying lifted **Frank Usher** 7 to 148p and **Miller and Santhouse** 8 to 393p. Profit-taking clipped 3 from the recently firm **Ratners**, at 372p, and 6 from **W. H. Smith "A,"** at 346p. Apart from **Gussies "A"** which gained ¼ more to £12⅞ in continued response to Warburg Securities' bullish *review of the sector, other leaders* gave ground as support was withdrawn.

News that **Hillsdown** had acquired a 13.5 per cent stake in **Garnar Booth** from Strong and Fisher only a matter of days before shareholder acceptances are due on the proposed merger between Pittard and Garnar Booth left the latter 12 higher at 248p; **S & F** ended the same amount better at 238p.

**Lec Refrigeration** provided a firm feature in Electricals, rising 15½ to 320p on renewed speculative buying fuelled by talk of a possible bid. **Acorn Computer** put on 4 to 58p and **Arcolectric "A"** rose 6 to 44p, while **Real Time Control** gained 7 at 93p. **Farnell**, on the other hand, reflected disappointment with the preliminary figures and lost 12 at 213p.

Leading Engineers followed the downward trend, **Hawker** falling 8 to 494p, and **Vickers** 8 to 472p, but *secondary issues encountered* selective buying interest. Among companies scheduled to reveal preliminary figures this week, **Walker Greenbank** advanced 8 to 97½p, **Downibrae** 6 to 95p and **CI Group** 5½ to 45p. Week-end Press mention prompted a rise of 10 to 125p in **Ratcliffe Industries**, while recent comment directed further buying *attention to* **Bromsgrove**, up 10 more at 127p and **Atlas Converting**, 8½ higher at 228p xd. Renewed speculative demand left **Laird Group** 4 to the good at 345p, while **Babcock** continued firmly at 224p, up 5, following a Press suggestion that BICC may bid for the company.

Leading Foods gave a resilient performance although recently *firm* **Cadbury Schweppes** *eased 2½* to 247½p on currency influences and **Rowntree Mackintosh** slipped 6 to 478p. **Unigate**, however, helped by Press comment, firmed 8 to 377p, while **Tate and Lyle** were steady at 738p awaiting tomorrow's half-timer. Retailers also held up well and featured **Hillards**, 11 higher at 345p following the increased and final offer from **Tesco**; the latter were unchanged at 482p.

Internationals eventually succumbed to fresh weakness on Wall Street. **Glaxo** gave up ⅛ to £14⅛, while falls of around 10 were *marked* **BOC**, *441p, and* **BTR**,304p. **Hanson Trust** gave up 3½ to 157p. **Beecham**, however, held up well, closing only a penny dearer at 499p following the launch of Eminase in West Germany yesterday. Elsewhere, **Cannon Street Investments** moved up 9½ to 268p on the completion of the acquisition of John Buccleugh, while the announcement of a change in shareholdings *prompted a rise of* 22 to 202p in **James Wilkes**. **P. and W. Maclellan** featured a rise of 19½ at 119p on the proposed tender offer from Halesworth Holding for up to 2.75m shares in the company at 100p per share. **Hunting Associated**, scheduled to reveal premliminary figures on May 12, advanced 45 to 426p in a limited market, while others to move ahead in anticipation of trading statements also expected in early May included **Henry Boot**, 10 dearer at 363p, and **Silentnight**, 6 better at 110p. **Grampian Holdings** rose 7to 284p on favourable Press mention and **Great Southern** improved 5½ to 270p after further acquisition news. **Kalon**, in contrast, fell a penny to 39½p on the *resignation of the finance director.* Other dull spots included US favourite **Reuters**, down 9 at 657p, and **Wellcome**, 11 lower at 408p, the last named awaiting today's interim figures.

Comment urging investors to heed the strengthening sterling/dollar rate upset **Jaguar** which dipped 24 to 560p. **Lucas Industries** fell 7 to 557p and **Kwik-Fit** 4 to 154p but, in Distributors, **Appleyard** rose 7 to 260p and **Jessps** gained 5 to 183p. **Laidlaw** improved 5 to 148p on Press mention.

Similarly, **Waco** advanced 6 to 115p on a suggestion that annual profits, due next month, could exceed forecasts, while USM-stock **Craton Lodge** jumped 7 to 93p. **Watmoughs** were called 385p ex the scrip issue. In Agencies, **Lopex** rose 8 to 206p but **Gold Greenlees** lost 10 to 285p.

The Property leaders showed little change, but secondary issues displayed several good features. **Country and New Town** gained *10* to 163p following confirmation that British and Commonwealth is seeking a buyer for its 44 per cent stake; **British Land**, 3 dearer at 210p, were mentioned as a possible buyer. **Mountleigh** moved up 6 to 278p following news that the company had acquired the Times newspaper building at Printing House Square, but **Local London** shed that much, to 593p, in the wake of a property purchase. Press comment boosted **Egerton Trust**, finally 22 higher at 175p, while demand ahead of tomorrow's annual results lifted **Southend Stadium** 13 to 536p. **Allied London** firmed to 113p following the interim statement, while **Raglan** gained 4½ to 21½p in response to Press comment.

**Youghal Carpets** crashed to only 3p before steadying to end 16 down at 9p following the agreed token bid of IR 1p per share from Coats Viyella; there is a slightly better paper alternative. Small demand in a restricted market raised **Leeds** 33 to 358p, while **Dura Mill** gained 8 to 138p. **Teetal** improved to 128p awaiting today's preliminary statement.

Revived demand took **Rothmans International** higher late to 259½p, up 7½.

**Authority Investments** went ex-rights at 415p with the new nil-paid shares touching 120p premium before settling at 95p premium. Newspaper comment took USM-listed **Johnson Fry** up 5 to 221p.

A firm showing by North Sea oil prices failed to bolster leading oil shares which, unsettled by sliding prices on Wall Street and in Japan, gave ground throughout the session. **BP** settled 19 off at 879p and **Shell** eased ⅛ to £11½. Second-liners showed **Premier** up 2 at 51¼p and **Oliver Resources** 8 up at 40p.

Bumper annual profits some 85 per cent up on 1986 and also above market estimates touched off a flurry of interest in **Inchcape**. **Mike Smith** of Chase Manhattan reckons the group could top £100m this year and has raised his forecast from £95m to £104m. Other analysts also began re-rating the shares, which closed 33 up at a peak 639p. Another Overseas Trader in good form was **Polly Peck**. Weekend mention of the stock's increasing attraction to foreign investors brought a fresh rise of 3 to 238p. Elsewhere, **Lonrho** were quoted ex the scrip issue at 265p.

Soaring silver prices and further strong gains in gold and platinum prompted a fresh burst of strength in mining share markets.

All the major sectors of mining markets moved higher. South African Golds were marked up at the outset of trading, reflecting good gains in share prices in New York late of Friday, but failed to make any substantial progress thereafter.

Business in the sector tailed off fairly early in the session but earlier gains were sufficient to produce a 19.2 rise to 463.6 in the Gold Mines index. Dealers said interest was restrained by the latest outbreaks of civil unrest in the run-up to the May 6 elections in South Africa.

**Rio Tinto-Zinc**, with 4.7m shares traded, surged ahead to a year's high of £10 before closing a net 22 firmer at 980p, on the back of strong and persistent Australian and US buying triggered by the sharp rise in CRA shares in Australia overnight.

Major winners in a buoyant Australian sector included silver producers **North Broken Hill**, 12 *up at 165p, and* **MIM Holdings**, 4 firmer at 161p.

## Traded Options

Traded Options volumes decreased with 36,629 contracts completed, comprising 25,911 calls and 10,718 puts. **Bats** were actively traded after week-end Press comment, recording 3,254 *calls and 2,084 puts*, while 2,875 calls were done in **British Gas**.

## Traditional Options

- *First dealings April 13*
- Last dealings May 1
- Last declaration July 23
- For Settlement Aug 3

*For rate indications see end of Unit Trust Service*

Call options were taken out in **Camford, Poseidon, Pavion, Amstrad, Fergabrook, Burndene, Jackson Exploration, Ipeco, Oliver Resources, Aran Energy, Harris Queensway, Benjamin Priest, Comtech, Premier Consolidated, Mellerware, Telemetrix, Tarmac, EBC Group, Rothmans, Wimpey, Owners Abroad, Talbex, British Telecom, Thames Mining, Percy Bilton** and **F. J. C. Lilley**. **British Telecom** were dealt in for the put, while double options were arranged in **Babcock, Gold Mines of Kalgurli** and **DSC**.

## FINANCIAL TIMES STOCK INDICES

| | Apr. 27 | Apr. 24 | Apr. 23 | Apr. 22 | Apr. 21 | Year ago | 1987 High | 1987 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 91.64 | 91.62 | 91.01 | 90.63 | 90.16 | 92.83 | 92.19 (23/3) | 84.49 (6/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 96.62 | 97.47 | 97.07 | 96.79 | 96.96 | 96.75 | 97.98 (19/3) | 90.23 (2/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1,565.2 | 1,580.9 | 1,555.2 | 1,546.8 | 1,531.9 | 1,365.3 | 1,625.2 (24/3) | 1,320.2 (2/1) | 1,625.2 (24/3/87) | 49.4 (26/6/40) |
| Gold Mines | 463.6 | 444.4 | 435.4 | 438.3 | 453.5 | 253.7 | 485.0 (14/4) | 288.2 (19/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 3.73 | 3.69 | 3.74 | 3.75 | 3.79 | 3.95 | | | | |
| Earnings Yld. % (full) | 8.58 | 8.49 | 8.60 | 8.57 | 8.69 | 9.79 | | | | |
| P/E Ratio (net) (*) | 14.42 | 14.58 | 14.39 | 14.46 | 14.24 | 12.52 | | | | |
| SEAQ Bargains (5 pm) | 38,877 | 52,144 | 38,943 | 33,090 | 31,964 | — | | | | |
| Equity Turnover (£m) | — | 1,942.94 | 1,161.35 | 1,381.88 | 945.21 | 564.99 | | | | |
| Equity Bargains | — | 57,290 | 46,333 | 40,971 | 40,010 | 27,587 | | | | |
| Shares Traded (ml) | — | 704.6 | — | 489.1 | 358.2 | 253.4 | | | | |

**S.E. ACTIVITY**

| Indices | April 24 | April 23 |
|---|---|---|
| Gilt Edged Bargains | 156.8 | 138.5 |
| Equity Bargains | 371.2 | 300.2 |
| Equity Value | 3,927.2 | 2,347.4 |
| 5-Day Average | | |
| Gilt Edged Bargains | 126.9 | 123.6 |
| Equity Bargains | 293.9 | 275.8 |
| Equity Value | 2,698.7 | 2,447.9 |

| ♥ Opening | 10 a.m. | 11 a.m. | Noon | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1571.6 | 1578.6 | 1564.4 | 1566.3 | 1565.7 | 1565.1 | 1559.3 | 1564.0 |

Day's High 1578.6. Day's Low 1559.3 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.93.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## NEW HIGHS AND LOWS FOR 1987

**NEW HIGHS (105)**

BRITISH FUNDS (1), AMERICANS (1), BREWERS (3), BUILDINGS (2), CHEMICALS (1), STORES (10), ELECTRICALS (8), ENGINEERING (6), FOODS (2), INDUSTRIALS (14), INSURANCE (1), LEISURE (1), MOTORS (1), NEWSPAPERS (1), PAPER (8), PROPERTY (13), SHIPPING (1), TEXTILES (3), TRUSTS (8), OILS (4), OVERSEAS TRADERS (5), MINES (15), THIRD MARKET (1).

**NEW LOWS (89)**

AMERICANS (31), CANADIANS (8), BANKS (3), STORES (3), ELECTRICALS (4), ENGINEERING (2), FOODS (1), INDUSTRIALS (6), INSURANCE (8), NEWSPAPERS (1), PAPER (2), PROPERTY (3), SHIPPING (2), TRUSTS (11), OILS (1), OVERSEAS TRADERS (3), THIRD MARKET (2).

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Closing price | Day's change | Stock | Volume 000's | Closing price | Day's change |
|---|---|---|---|---|---|---|---|
| ASDA-MFI | 5,000 | 157 | +2 | Jaguar | 2,900 | 560 | −24 |
| Allied Lyons | 1,900 | 392 | — | Ladbroke | 1,000 | 422 | −1 |
| Amstrad | 4,300 | 186 | +2 | Land Securities | 2,900 | 425 | +1½ |
| Assoc. Brit. Foods | 460 | 349 | +2 | Legal & Gen. | 328 | 264 | −1 |
| Argyll Group | 2,300 | 415 | −5 | Lloyds Bank | 2,550 | 518 | −16 |
| BAT | 1,100 | 490 | −7 | Lonrho | 1,300 | 265 | +1½ |
| BET | 938 | 244 | — | MEPC | 717 | 415 | +½ |
| BOC | 350 | 441 | −10 | Marks & Spencer | 2,800 | 229 | −1 |
| BPB Inds | 273 | 674 | +1 | Midland Bank | 1,100 | 659 | −11 |
| BPCC | 213 | 307 | −2 | NatWest Bank | 1,000 | 590 | −15 |
| BTR | 4,200 | 304 | −8 | Next | 1,300 | 344 | +2 |
| Barclays | 1,300 | 515 | −5 | Pearson | 530 | 805 | −4 |
| Bass | 531 | 902 | — | P & O | 493 | 615 | −1 |
| Beecham | 1,900 | 499 | +1 | Pilkington Bros | 1,000 | 816 | +6 |
| Blue Circle | 526 | 813xd | — | Plessey | 1,400 | 230 | −4 |
| Boots | 841 | 286 | −1 | Prudential | 275 | 819 | +1 |
| Brit. Airways | 4,400 | 145 | −1 | Racal | 3,400 | 221 | −1 |
| Brit. Aero | 1,300 | 605 | −7 | Rank Org. | 676 | 700 | −3 |
| Brit. & Comm. | 110 | 443 | +1 | RHM | 183 | 306 | — |
| Brit. Gas | 18,000 | 96 | −1 | Reckitt & Col | 64 | 978 | −6 |
| Britoil | 1,700 | 236 | −4½ | Redland | 859 | 446 | +4½ |
| BP | 3,700 | 879 | −19 | Reed Intl. | 825 | 395 | +3 |
| Brit. Telecom | 9,800 | 276 | −1 | Reuters | 308 | 657 | −9 |
| Buntzl | 218 | 217 | −1 | RMC | 121 | 818 | +5½ |
| Burton | 4,700 | 299½ | +1½ | RTZ | 4,700 | 980 | +22 |
| Cable & Wire | 1,300 | 365 | −5 | Rowntree Mac | 856 | 478 | −6 |
| Cadbury Schwps | 1,800 | 247½ | −2½ | Ryl Bank Scotland | 585 | 321 | −3 |
| Coats Viyella | 305 | 366 | −1 | Royal Insurance | 613 | 898 | +2 |
| Comm. Union | 1,200 | 313 | −1 | STC | 4,750 | 279 | +2½ |
| Cons. Gold | 1,100 | 984 | +1 | Saatchi & Saatchi | 279 | 650 | +1 |
| Cookson | 154 | 601 | +1 | Salisbury | 524 | 495 | +4 |
| Courtaulds | 283 | 420 | −4 | Sears | 3,600 | 138½ | −1½ |
| Dee Corpn | 790 | 237½ | −2½ | Sedgwick | 749 | 292 | −2 |
| Dixons Grp | 2,100 | 386 | −3 | Shell Trans | 1,200 | £11½ | −⅛ |
| English China Clays | 260 | 408 | +6 | Smith & Nephew | 1,200 | 151½ | — |
| Fisons | 2,100 | 640 | +23 | Standard Chart | 614 | 813 | −11 |
| Gen. Accident | 175 | 920 | −3 | Storehouse | 3,300 | 308 | −2 |
| Gen. Elect. | 7,600 | 201 | −2 | Sun Alliance | 198 | 870 | +2 |
| Glaxo | 1,700 | £14⅛ | −⅛ | TSB | 3,200 | 81 | −2 |
| Globe Investment | 910 | 189½ | −1½ | Tarmac | 1,200 | 526½ | +8½ |
| Granada | 307 | 306 | −1 | Tesco | 1,100 | 482 | — |
| Grand Met | 1,800 | 477 | −5 | Thorn EMI | 2,550 | 684 | −1 |
| GUS "A" | 357 | £12⅞ | +⅛ | Trafalgar House | 986 | 387 | — |
| Guardian R.E. | 728 | 888 | −2 | T'House Forte | 732 | 230 | −2 |
| GKN | 742 | 323 | −1 | Unigate | 1,000 | 377 | +8 |
| Guinness | 2,500 | 320 | −2 | Unilever | 189 | £26⅛ | −⅛ |
| Hanson Trust | 8,800 | 157 | −3½ | United Biscuits | 2,200 | 284 | +5 |
| Hawker Sidd | 1,000 | 494 | −8 | Wellcome | 2,000 | 408 | −11 |
| Hillsdown Hlgs | 2,000 | 261 | −4 | Whitbread "A" | 679 | 333 | — |
| ICI | 1,300 | £12½ | — | Woolworth | 662 | 834 | +7 |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 53 | 49 | 11 |
| Corporations, Dominion and Foreign Bonds | 18 | 20 | 29 |
| Industrials | 490 | 480 | 579 |
| Financial and Properties | 132 | 248 | 210 |
| Oils | 27 | 37 | 47 |
| Plantations | 3 | 3 | 8 |
| Mines | 91 | 21 | 71 |
| Others | 20 | 145 | 98 |
| Totals | 834 | 1,003 | 1,013 |

## FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

**EQUITY GROUPS & SUB-SECTIONS**

Figures in parentheses show number of stocks per section

| | | Monday April 27 1987 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 27%) | Est. P/E Ratio (Net) | xd adj. 1987 to date | Fri April 24 Index No. | Thur April 23 Index No. | Wed April 22 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (207) | 841.09 | −0.5 | 7.73 | 3.15 | 16.40 | 7.02 | 845.71 | 830.76 | 829.51 | 733.03 |
| 2 | Building Materials (27) | 1048.14 | +0.2 | 7.52 | 3.16 | 16.72 | 6.06 | 1045.98 | 1020.16 | 1016.81 | 813.66 |
| 3 | Contracting, Construction (30) | 1392.36 | +0.4 | 7.44 | 3.49 | 18.42 | 11.30 | 1385.53 | 1366.45 | 1368.20 | 1203.69 |
| 4 | Electricals (12) | 2072.15 | −1.4 | 6.54 | 3.81 | 20.56 | 31.62 | 2101.33 | 2083.12 | 2085.38 | 2842.39 |
| 5 | Electronics (36) | 1888.92 | −0.6 | 7.93 | 2.32 | 16.62 | 11.17 | 1900.97 | 1863.08 | 1867.06 | 1709.85 |
| 6 | Mechanical Engineering (59) | 470.05 | −0.6 | 8.77 | 3.67 | 14.56 | 5.25 | 473.05 | 468.13 | 468.53 | 414.61 |
| 8 | Metals and Metal Forming (7) | 461.91 | −0.5 | 8.15 | 3.36 | 14.84 | 3.58 | 464.28 | 456.13 | 451.94 | 351.71 |
| 9 | Motors (16) | 322.74 | −1.6 | 9.35 | 3.29 | 12.30 | 2.96 | 327.95 | 325.07 | 324.42 | 291.76 |
| 10 | Other Industrial Materials (20) | 1425.85 | −1.1 | 6.34 | 3.46 | 18.93 | 25.30 | 1442.32 | 1412.85 | 1402.57 | 1306.16 |
| 21 | CONSUMER GROUP (188) | 1158.90 | −0.4 | 6.47 | 2.75 | 19.90 | 4.73 | 1163.49 | 1144.20 | 1139.43 | 919.04 |
| 22 | Brewers and Distillers (22) | 1074.28 | −0.4 | 7.95 | 3.15 | 15.82 | 4.89 | 1079.13 | 1062.34 | 1057.55 | 983.00 |
| 25 | Food Manufacturing (26) | 877.59 | −0.4 | 7.99 | 3.36 | 16.52 | 7.32 | 881.30 | 872.34 | 872.89 | 686.26 |
| 26 | Food Retailing (16) | 2138.63 | — | 6.00 | 2.54 | 22.98 | 10.56 | 2138.70 | 2095.50 | 2081.74 | 1908.95 |
| 27 | Health and Household Products (10) | 2152.49 | −1.2 | 4.49 | 1.80 | 25.79 | 2.95 | 2178.86 | 2167.23 | 2192.36 | 1528.56 |
| 29 | Leisure (32) | 1249.10 | −0.3 | 6.09 | 3.36 | 21.73 | 9.98 | 1252.35 | 1239.87 | 1236.47 | 902.50 |
| 31 | Packaging & Paper (15) | 600.26 | −0.4 | 6.49 | 2.75 | 20.09 | 3.34 | 602.54 | 593.59 | 592.18 | 459.15 |
| 32 | Publishing & Printing (14) | 3456.01 | −0.3 | 6.17 | 3.28 | 20.82 | 16.79 | 3466.23 | 3445.04 | 3460.71 | 2371.32 |
| 34 | Stores (37) | 1018.41 | +0.1 | 6.46 | 2.62 | 21.04 | 1.89 | 1017.28 | 983.14 | 959.34 | 911.28 |
| 35 | Textiles (16) | 688.61 | −0.3 | 7.83 | 3.04 | 14.65 | 0.59 | 690.66 | 673.31 | 672.05 | 525.96 |
| 40 | OTHER GROUPS (88) | 976.99 | −0.7 | 8.17 | 3.42 | 15.23 | 7.47 | 983.94 | 963.51 | 956.89 | 796.87 |
| 41 | Agencies (17) | 1380.14 | −0.7 | 5.01 | 1.78 | 26.83 | 8.06 | 1389.69 | 1389.98 | 1392.48 | 0.0 |
| 42 | Chemicals (21) | 1188.20 | −0.4 | 8.18 | 3.64 | 14.99 | 17.36 | 1193.45 | 1195.39 | 1198.29 | 884.63 |
| 43 | Conglomerates (12) | 1242.66 | −1.3 | 7.24 | 3.41 | 16.27 | 4.36 | 1258.89 | 1242.38 | 1226.06 | 0.0 |
| 45 | Shipping and Transport (11) | 1984.25 | −0.3 | 7.51 | 4.00 | 16.79 | 23.04 | 1991.16 | 1960.23 | 1958.94 | 1632.35 |
| 47 | Telephone Networks (2) | 1056.29 | −0.5 | 8.85 | 3.55 | 15.48 | 1.09 | 1062.09 | 1004.46 | 984.54 | 930.23 |
| 48 | Miscellaneous (25) | 1284.22 | −0.9 | 9.39 | 3.41 | 12.01 | 16.92 | 1296.21 | 1285.39 | 1287.50 | 993.63 |
| 49 | INDUSTRIAL GROUP (483) | 1039.39 | −0.5 | 7.24 | 3.03 | 17.51 | 6.36 | 1044.79 | 1025.99 | 1021.64 | 850.62 |
| 51 | Oil & Gas (17) | 1811.81 | −1.5 | 7.89 | 4.78 | 16.55 | 36.56 | 1838.94 | 1818.16 | 1814.54 | 1140.73 |
| 59 | 500 SHARE INDEX (500) | 1104.68 | −0.7 | 7.34 | 3.28 | 17.36 | 9.00 | 1111.97 | 1093.04 | 1088.77 | 877.37 |
| 61 | FINANCIAL GROUP (118) | 691.50 | −0.7 | — | 4.20 | — | 9.27 | 696.07 | 691.14 | 684.02 | 617.49 |
| 62 | Banks (8) | 739.08 | −2.0 | 19.10 | 5.05 | 6.93 | 14.92 | 753.85 | 755.09 | 733.35 | 674.55 |
| 65 | Insurance (Life) (9) | 935.87 | −0.2 | — | 4.50 | — | 19.68 | 937.62 | 931.46 | 933.73 | 845.99 |
| 66 | Insurance (Composite) (7) | 531.88 | — | — | 4.60 | — | 5.09 | 531.99 | 528.17 | 525.60 | 513.74 |
| 67 | Insurance (Brokers) (9) | 1110.71 | −0.8 | 9.64 | 4.79 | 13.41 | 19.02 | 1119.99 | 1111.38 | 1113.78 | 1242.94 |
| 68 | Merchant Banks (11) | 363.54 | −0.6 | — | 3.45 | — | 2.91 | 365.89 | 365.87 | 365.77 | 364.48 |
| 69 | Property (47) | 996.07 | +0.4 | 4.49 | 2.87 | 29.05 | 4.00 | 992.38 | 969.46 | 966.15 | 755.91 |
| 70 | Other Financial (27) | 454.88 | −0.1 | 7.27 | 3.32 | 17.50 | 3.04 | 455.44 | 452.30 | 451.48 | 353.31 |
| 71 | Investment Trusts (94) | 948.75 | −1.6 | — | 2.46 | — | 5.19 | 964.67 | 955.54 | 952.48 | 758.86 |
| 81 | Mining Finance (2) | 486.82 | +1.4 | 6.29 | 3.41 | 18.69 | 1.89 | 480.09 | 467.99 | 470.07 | 300.38 |
| 91 | Overseas Traders (11) | 943.82 | +1.3 | 8.65 | 4.74 | 14.01 | 18.55 | 931.28 | 924.45 | 925.69 | 671.57 |
| 99 | ALL-SHARE INDEX (725) | 994.81 | −0.7 | — | 3.40 | — | 8.74 | 1001.33 | 986.05 | 981.42 | 801.14 |

| | Index No. | Day's Change | Day's High | Day's Low | April 24 | April 23 | April 22 | April 21 | April 16 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ‡ | 1986.6 | −14.9 | 2002.3 | 1979.8 | 2001.5 | 1968.3 | 1955.7 | 1940.2 | 1949.4 | 1628.8 |

## FIXED INTEREST

| | PRICE INDICES | Mon April 27 | Day's change % | Fri April 24 | xd adj. today | xd adj. 1987 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 124.21 | +0.13 | 124.05 | — | 3.64 |
| 2 | 5-15 years | 144.21 | −0.15 | 144.43 | — | 4.94 |
| 3 | Over 15 years | 154.06 | −0.59 | 154.98 | — | 4.78 |
| 4 | Irredeemables | 166.76 | +0.08 | 172.06 | 4.45 | 6.07 |
| 5 | All stocks | 140.30 | −0.15 | 140.55 | 0.04 | 4.52 |
| | Index-Linked | | | | | |
| 6 | 5 years | 119.69 | −0.01 | 119.71 | — | 0.83 |
| 7 | Over 5 years | 118.97 | −0.30 | 119.33 | — | 1.17 |
| 8 | All stocks | 118.83 | −0.28 | 119.16 | — | 1.13 |
| 9 | Debentures & Loans | 125.61 | −0.16 | 125.97 | 0.15 | 2.95 |
| 10 | Preference | 87.38 | +0.24 | 87.18 | — | 1.94 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon April 27 | Fri April 24 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 8.18 | 8.19 | 7.69 |
| 2 | Coupons | 15 years | 8.80 | 8.75 | 8.57 |
| 3 | | 25 years | 8.81 | 8.76 | 8.58 |
| 4 | Medium | 5 years | 8.88 | 8.90 | 8.86 |
| 5 | Coupons | 15 years | 9.03 | 8.97 | 8.86 |
| 6 | | 25 years | 9.04 | 8.97 | 8.86 |
| 7 | High | 5 years | 9.03 | 9.06 | 8.97 |
| 8 | Coupons | 15 years | 9.17 | 9.10 | 8.97 |
| 9 | | 25 years | 8.99 | 8.92 | 8.97 |
| 10 | Irredeemables † | | 8.88 | 8.89 | 8.58 |
| | Index-Linked | | | | |
| 11 | Inflat'n rate 5% | 5 yrs | 2.85 | 2.85 | 3.33 |
| 12 | Inflat'n rate 5% | Over 5 yrs | 3.54 | 3.52 | 3.35 |
| 13 | Inflat'n rate 10% | 5 yrs | 2.31 | 2.29 | 2.19 |
| 14 | Inflat'n rate 10% | Over 5 yrs | 3.43 | 3.41 | 3.19 |
| 15 | Debs & | 5 years | 9.85 | 9.75 | 10.06 |
| 16 | Loans | 15 years | 10.03 | 9.93 | 9.97 |
| 17 | | 25 years | 10.05 | 9.99 | 9.88 |
| 18 | Preference † | | 10.42 | 10.41 | 11.14 |

‡Opening index 1994.9; 10 am 2001.7; 11 am 1986.9; Noon 1988.5; 1 pm 1987.7; 2 pm 1986.4; 3 pm 1980.0; 3.30 pm 1984.2; 4 pm 1985.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

## LONDON TRADED OPTIONS

[illegible]

April 27. Total Contracts 36,629. Calls 25,911. Puts 10,718 FT-SE Index Calls 1,395, Puts 2,033. *Underlying security price.

## LONDON RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### "RIGHTS" OFFERS

[illegible]

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# WORLD STOCK MARKETS

## AUSTRIA

| April 27 | Price Sch% | + or − |
|---|---|---|
| Creditanstalt | 1985.0 | ..... |
| Goesser | 3020.0 | +20 |
| Interunfall | 12500.0 | −250 |
| Jungbunzlauer | 8300 | ..... |
| Laenderbank | 1890.0 | −25 |
| Perlmooser | 685.0 | −5 |
| Steyr-Daimler | 141.0 | ..... |
| Veitscher Mag | 865.0 | −5 |

## BELGIUM/LUXEMBOURG

| April 27 | Price Frs. | + or − |
|---|---|---|
| B.B.L. | 3150 | −50 |
| Banque Gen. Du. L. | 15400 | ..... |
| Bank Int. A Lux. | 14800 | ..... |
| Bekaert B | 10300 | ..... |
| Ciment CBR | 5500 | −20 |
| Cockerill | 145 | +3 |
| Delhaize | 3300 | +30 |
| EBES | 5470 | −30 |
| Fabrique Nat | 1790 | +50 |
| GB Inno BM | 1140 | +22 |
| GBL (Brux) | 3850 | −50 |
| General Bank | 6750 | −50 |
| Gevaert | 6830 | +30 |
| Hoboken | 7150 | −60 |
| Intercom | 4495 | −5 |
| Kredietbank | 4570 | −50 |
| Pan Holdings | 12000 | ..... |
| Petrofina | 10500 | −200 |
| Royale Belge | 6250 | ..... |
| Soc Gen Belge | 3800 | −25 |
| Sofina | 14400 | −75 |
| Solvay | 10375 | ..... |
| Stanwick Intl. | 450 | ..... |
| Tractionel | 7260 | ..... |
| UCB | 9550 | +90 |
| Wagons Lits | 5700 | −40 |

## DENMARK

| April 27 | Price Kr % | + or − |
|---|---|---|
| Baltica Skand | 860 | −5 |
| Cop Handelsbank | 264 | ..... |
| D. Sukkerfab | 328 | ..... |
| Den Danske Bank | 327 | +3 |
| East Asiatic | 176 | +4 |
| Forenede Brygg | 860 | ..... |
| GNT Holding | 271 | −2 |
| I.S.S.B. Systems | 725 | −15 |
| Jyske Bank | 505 | −5 |
| Novo Inds.* | 246 | −13 |
| Privatbanken | 261 | +2 |
| Sophus Berendsen | 770 | −5 |
| Superfos | 192 | ..... |

## FINLAND

| April 27 | Price Mks | + or − |
|---|---|---|
| Amer | 229.5 | +5 |
| KOP | 49.9 | ..... |
| Kone | 208 | +0.5 |
| Finnish Sugar | 105.5 | −1 |
| Nokia | 175.4 | −0.1 |
| Pohjola 'B' | 82.45 | −1.1 |
| Rauma-Repola | 24 | +0.75 |
| Stockmann 'B' | 202.5 | −4.5 |
| UBF 'C' | 34.05 | −0.35 |
| Wartsila (511) | 204.5 | −5 |

## FRANCE

| April 27 | Price Frs. | + or − |
|---|---|---|
| Emprunt 4½% '73 | 1886 | +44 |
| Emprunt 7% 1973 | 9068 | +218 |
| Accor | 533 | −4 |
| Air Liquide | 719 | ..... |
| BIC | 711 | −21 |
| BNP | 1230 | +10 |
| Bongrain | 2940 | −20 |
| Bouygues | 1310 | −50 |
| BSN Gervais | 5000 | −220 |
| CIT-Alcatel | 2900 | −30 |
| Carrefour | 3615 | −30 |
| Club Mediterranee | 673 | −3 |
| Cie Bancaire | 797 | +1 |
| Cofimeg | 371 | −4 |
| Damart | 3150 | +60 |
| Darty | 453 | −24 |
| Dumez S.A. | 2500 | −40 |
| Eaux (Cie Gen) | 1509 | ..... |
| Elf-Aquitaine | 338 | +2.5 |
| Essilor | 3330 | ..... |
| Gen. Occidentale | 1318 | −7 |
| Imetal | 120.60 | −2.9 |
| Lafarge Coppee | 1690 | −70 |
| L'Oreal | 4395 | −35 |
| Legrand | 5810 | −40 |
| Maisons Phenix | 135 | −2.1 |
| Matra S.A. | 2730 | −135 |
| Michelin B. | 3600 | −220 |
| Midi (Cie) | 2620 | +25 |
| Moet-Hennessy | 2341 | −36 |
| Moulinex | 110 | ..... |
| Nord Est | 201.20 | −3.3 |
| Paribas | 521 | −10 |
| Pernod Ricard | 1140 | −29 |
| Perrier | 775 | −7 |
| Petroles Fra | 500 | −1 |
| Peugeot S.A. | 1613 | −46 |
| Printemps Au | 780 | −18 |
| Radiotech | 1605 | −115 |
| Redoute | 3050 | −10 |
| Roussel-Uclaf | 1766 | −34 |
| St. Gobain | 459.5 | ..... |
| Sefimeg | 470 | −3 |
| Skis Rossignol | 1296 | +1 |
| Telemech Elect | 3330 | +5 |
| Thompson (CSF) | 1705 | −25 |
| Valeo | 686 | −12 |

## GERMANY

| April 27 | Price Dm. | + or − |
|---|---|---|
| AEG-Telef | 308 | −4.5 |
| Allianz Vers | 1705 | −165 |
| BASF | 265 | −7.3 |
| Bayer | 297.7 | −10.3 |
| Bayer-Hypo | 405 | −15 |
| Bayer-Verein | 422 | −19 |
| BHF-Bank | 419 | −11 |
| BMW | 545 | −15 |
| Brown Boveri | 316 | −3 |
| Commerzbank | 258.2 | −6.8 |
| Cont'l Gummi | 318.5 | −5.5 |
| Daimler-Benz | 950.5 | −37.5 |
| Degussa | 503 | −4 |
| D'sche Babcock | 210 | −2.5 |
| Deutsche Bank | 616.5 | −19.8 |
| Dresdner Bank | 332 | −11 |
| Feld Muehle Nob | 284 | −7 |
| Henkel | 493 | −8 |
| Hochtief | 730.5 | −9.5 |
| Hoechst | 270 | −10.5 |
| Hoesch Werke | 104 | −5.8 |
| Holzmann (P) | 415 | −5 |
| Horten | 216 | −2.8 |
| Hussel | 578 | −2 |
| Karstadt | 412.5 | −14 |
| Kaufhof | 464 | −6 |
| KHD | 145.5 | −4.6 |
| Kloeckner | 67.2 | ..... |
| Linde | 688 | −11 |
| Lufthansa | 181 | −4 |
| MAN | 164.2 | −8.9 |
| Mannesmann | 174.9 | −3 |
| Mercedes Hld. | 813 | −23 |
| Metallgesell | 334.7 | −31.3 |
| Muench Rueck | 1795 | −56 |
| Nixdorf | 791 | −22 |
| Porsche | 832.5 | −7.5 |
| Preussag | 150.5 | −5.5 |
| Rhein West Elect. | 227 | ..... |
| Rosenthal | 255 | −11.5 |
| Schering | 595 | −10.5 |
| Siemens | 683.5 | −19 |
| Thyssen | 113.7 | −4.3 |
| Varta | 359.5 | −6.5 |
| Veba | 272 | −8 |
| V.E.W. | 160 | +1 |
| Verein-West | 418 | −3 |
| Volkswagen | 339.5 | −8.5 |

## ITALY

| April 27 | Price Lire | + or − |
|---|---|---|
| Banca Com'le | 24,099 | +19 |
| Bastogi-IRBS | 707.0 | −8 |
| CIR | 7130 | +140 |
| Credito Italian | 2410 | −10 |
| Fiat | 13700 | ..... |
| Generali Assicor | 14,0400 | −400 |
| Italcement | 98800 | −2200 |
| La Rinascente | 1323 | −17 |
| Montedison | 2935 | −4 |
| Olivetti | 14200 | −250 |
| Pirelli Co | 7868 | −22 |
| Pirelli Spa | 5710 | +20 |
| Saipem | 4390 | −20 |
| Snia BPD | 4770 | −60 |
| Toro Assic | 34700 | ..... |

## NETHERLANDS

| April 27 | Price Fls. | + or − |
|---|---|---|
| ACF Holding | 60.70 | −2.3 |
| AEGON | 88.50 | −1.5 |
| Ahold | 106.50 | −1 |
| AKZO | 133.40 | −2.7 |
| ABN | 501 | −10 |
| AMEV | 61.70 | −2.2 |
| AMRO | 75.60 | −1.6 |
| Bredero Cert | 41.50 | ..... |
| Buehrmann-Tet | 52.30 | −1.2 |
| Dordtsche Petroleum | 218.50 | −6 |
| Elsevier Ndu | 49.9xa | −1.8 |
| Fokker | 50.80 | −0.4 |
| Gist Brocades | 45.20 | −1.3 |
| Heineken | 175 | −3.5 |
| Hoogovens | 38.20 | −0.9 |
| Hunter Douglas | 54.50 | −0.9 |
| IHC Caland | 20 | −0.6 |
| Int Mueller | 68 | −1 |
| KLM | 40.50 | −1 |
| KNP | 153.50 | −3 |
| Nat Ned Cert | 70.80 | −2.8 |
| Ned Mid Bank | 157.50 | −3 |
| Ned Lloyd | 147 | −3 |
| Oce Grinten | 410 | −11 |
| Ommeren (Van) | 37.30 | −0.4 |
| Pakhoed | 75.50 | −2.7 |
| Philips | 48.90 | −1 |
| Robeco | 97.70 | −2 |
| Rodamco | 143.60 | −0.9 |
| Rolinco | 90.60 | −1.6 |
| Rorento | 52 | ..... |
| Royal Dutch | 236.80 | −6.2 |
| Unilever | 549 | −8 |
| VMF Stork | 23.20 | −1 |
| VNU | 323.50 | −9.5 |
| Wessanen | 85.50 | 1.6 |
| Wolters Samson | 122.30 | −8.5 |

## NORWAY

| April 27 | Price Kroner | + or − |
|---|---|---|
| Aker-Norcem | 132.5 | ..... |
| Bergen Bank | 182.0 | −1.5 |
| Bergesen B | 302.5 | −2.5 |
| Christiania Bk | 204.0 | ..... |
| Den Norsk Credit | 160.0 | −0.5 |
| Elkem | 104.0 | −1.5 |
| Kosmos | 156.5 | −1.5 |
| Kvaerner | 201.0 | −2 |
| Norsk Data | 232.0 | −5 |
| Norsk Hydro | 187.0 | −10 |
| Orkla Borregaard | 460.0 | −3.5 |
| Storebrand | 368.0 | ..... |

## SPAIN

| April 27 | Price Pts. | + or − |
|---|---|---|
| Banco Bilbao | 1509 | −1 |
| Banco Central | 1066 | −14 |
| Banco Exterior | 449 | −20 |
| Banco Hispano | 570 | −15 |
| Banco Popular | 1571 | −19 |
| Banco Santander | 1170 | −111 |
| Banco de Vizcay | 1795 | ..... |
| Banesto | 707 | −3 |
| Dragados | 658 | −35 |
| Hidrola | 63.20 | −3.3 |
| Iberduero | 93.70 | −5 |
| Petroleos | 499 | +3 |
| Telefonica | 168 | +1 |

## SWEDEN

| April 27 | Price Kronor | + or − |
|---|---|---|
| AGA (Free) | 206 | −1 |
| Alfa-Laval | 340 | −3 |
| ASEA (Free) | 320 | −3 |
| Astra (Free) | 705 | −5 |
| Atlas Copco | 180 | −4 |
| Beijer A Fria | 231 | +1 |
| Cardo (Free) | 220 | ..... |
| Cellulosa | 351 | +1 |
| Electrolux B | 321 | −1 |
| Ericsson | 289 | −7 |
| Esselte | 165 | +2 |
| Mo Och Domsjo | 329 | −1 |
| Pharmacia | 190 | −8 |
| Saab-Scania (free) | 760 | ..... |
| Sandvik | 177 | −3 |
| Skandia | 160 | −4 |
| Skan Enskilda | 126 | −2 |
| SKF | 380 | −8 |
| St. Kopparbergs | 379 | −6 |
| Svka Handelsbn | 445 | +5 |
| Swedish Match | 480 | −5 |
| Volvo B (Free) | 328 | −9 |

## SWITZERLAND

| April 24 | Price Frs. | + or − |
|---|---|---|
| Adia Intl. | 12150 | ..... |
| Alusuisse | 530 | ..... |
| Bank Leu | 3200 | ..... |
| Brown Boveri | 1870 | ..... |
| Ciba Geigy | 3150 | ..... |
| do. (PtCts) | 2150 | ..... |
| Credit Suisse | 3025 | ..... |
| Elektrowatt | 3620 | ..... |
| Fischer (Geo.) | 1730 | ..... |
| Hoff-Roche (Pt Cts) | 136000 | ..... |
| Hoff-Roche 1/10 | 13475 | ..... |
| Jacobs Suchard | 8740 | ..... |
| Jelmoli | 3550 | ..... |
| Landis & Gyr | 1570 | ..... |
| Nestle | 9300 | ..... |
| Oer-Buehrle | 1140 | ..... |
| Pargesa Hldg | 2100 | ..... |
| Pirelli | 424 | ..... |
| Sandoz (Br) | 11500 | ..... |
| Sandoz (PtCts) | 1845 | ..... |
| Schindler (PtCts) | 760 | ..... |
| Sika | 1575 | ..... |
| Surveillance | 8450 | ..... |
| Swissair | 1190 | ..... |
| Swiss Bank | 442 | ..... |
| Swiss Reinsce | 15900 | ..... |
| Swiss Volksbk | 2070 | ..... |
| Union Bank | 4575 | ..... |
| Winterthur | 6300 | ..... |
| Zurich Ins | 7175 | ..... |

## AUSTRALIA

| April 27 | Price Aust $ | + or − |
|---|---|---|
| ACI Int. | 4.0 | −0.1 |
| A.F.P. | 7.4 | ..... |
| Adelaide Steams | 11.3 | ..... |
| Amcor | 4.5 | ..... |
| ANZ Group | 5.8 | ..... |
| Ampol Pet | 3 | ..... |
| Ariadne Aust | 3.25 | ..... |
| Ashton | 4.3 | ..... |
| Aust Guarant | 3.6 | +0.2 |
| Aust Nat Inds | 2.95 | −0.05 |
| Bell Group | 10.6 | ..... |
| Bell Resources | 5.4 | +0.1 |
| Bond Corp Hldgs | 2.6 | −0.03 |
| Boral | 4.6 | +0.1 |
| B'ville Copper | 4.8 | +0.25 |
| Brambles Inds | 9 | −0.1 |
| Bridge Oil | 1.5 | ..... |
| BHP | 9.30xr | ..... |
| Burns Philip | 10.30 | ..... |
| CRA | 10.90 | +1.5 |
| CSR | 4.25 | ..... |
| Chase Corp | 3.30 | −0.1 |
| Claremont Petro | 1.25 | +0.05 |
| Coles Myer | 6.80 | ..... |
| Comalco "A" | 3.20 | +0.05 |
| Consolidated Pet | 0.35 | +0.05 |
| Costain Aust | 2.70 | −0.1 |
| Elders IXL | 4.60 | −0.11 |
| Energy Res | 2.20 | +0.05 |
| Gen Prop Trust | 2.85 | −0.1 |
| Hardie (J.) | 4.45 | −0.05 |
| Hartogen Energy | 3.10 | +0.1 |
| ICI Aust | 4.10 | +0.1 |
| Industrial Equip | 4.90 | −0.1 |
| Jimberlana (50cFP) | 0.75 | +0.02 |
| Kia Ora Gold | 0.95 | ..... |
| Kidston Gold | 9.80 | +0.6 |
| Lend Lease | 13.8 | +0.2 |
| MIM | 3.80 | +0.15 |
| Mayne Nickless | 3.95 | ..... |
| Nat. Aust. Bank | 5.46 | +0.1 |

## AUSTRALIA (Continued)

| April 27 | Price Aust $ | + or − |
|---|---|---|
| News | 20 | −1 |
| Noranda Pacific | 4.40 | +0.2 |
| North Bkn Hill | 3.85 | +0.35 |
| Oakbridge | 0.63 | −0.05 |
| Pacific Dunlop | 4.62 | −0.11 |
| Pancont'l | 3.6 | +0.15 |
| Pioneer Conc | 3.5 | ..... |
| Placer Pacific | 4.1 | +0.3 |
| Poseidon | 5.74 | +0.14 |
| Queensland Coal | 1.33 | +0.01 |
| Santos | 5.7 | +0.1 |
| Smith (H.) | 4.8 | +0.05 |
| Thos Natwide | 4.6 | ..... |
| Tooth | 7.3 | −0.1 |
| Vamgas | 3.25 | +0.05 |
| Western Mining | 11.4 | +0.8 |
| Westpac | 4.9 | ..... |
| Woodside Petrol | 2.2 | +0.15 |
| Woolworths | 3.6 | ..... |
| Wormald Intl | 3.58 | −0.02 |

## HONG KONG

| April 27 | Price H.K.$ | + or − |
|---|---|---|
| Bank East Asia | 19.80 | −0.5 |
| Cathy Pacific | 5.65 | −0.05 |
| Cheung Kong | 42.25 | −1.5 |
| China Light | 20.80 | −0.6 |
| Evergo | 0.70 | −0.02 |
| Hang Seng Bank | 34.50 | −1.25 |
| Henderson Land | 5.80 | −0.1 |
| Hong Kong China | 15.30 | −0.7 |
| HK Electric | 12.90 | −0.4 |
| HK Land | 5.70 | −0.3 |
| HK Shanghai Bank | 7.90 | −0.15 |
| HK Telephone | 12.50 | −0.2 |
| Hutchison Wpa | 49.25 | −1.25 |
| Indust Equity P | 19.10 | −0.1 |
| Jardine Math | 16.00 | ..... |
| New World Dev | 10.10 | −0.3 |
| SHK Props | 13.20 | −0.5 |
| Shell Elec. Mfg. | 1.29 | −0.02 |
| Swire Pac A | 17.00 | −0.7 |
| TV-B | 12.60 | −0.2 |
| Wharf Hldgs | 7.90 | −0.15 |
| Windsor Ind. | 9.70 | −0.25 |
| World Int Hldgs | 3.55 | −0.02 |

## JAPAN

| April 27 | Price Yen | + or − |
|---|---|---|
| Ajinomoto | 3410 | −190 |
| All Nippon Air | 1830 | −20 |
| Alps Electric | 1340 | +20 |
| Asahi Chemicals | 961 | −29 |
| Asahi Glass | 1970 | −140 |
| Bank Tokyo | 1680 | −110 |
| Bridgestone | 810 | −17 |
| Brother Inds. | 584 | +25 |
| Canon | 705 | +10 |
| Casio Computers | 890 | +15 |
| Chugai Pharm | 1710 | −50 |
| Daiei | 1670 | −10 |
| Dai Ichi Kan Bank | 3700 | −300 |
| Dai Nippon Ink | 665 | −20 |
| Dai Nippon Ptg | 1700 | 130 |
| Daiwa House | 2140 | −100 |
| Daiwa Sec | 3400 | −270 |
| Eisai | 1770 | −40 |
| Fanuc | 3920 | +100 |
| Fuji Bank | 3840 | −180 |
| Fuji Film | 2600 | +130 |
| Fujisawa | 1980 | −40 |
| Fujitsu | 760 | +10 |
| Fujisawa Elect | 799 | −41 |
| Green Cross | 2750 | −110 |
| Heiwa Real Est | 1900 | −120 |
| Hitachi | 868 | +8 |
| Hitachi Credit | 1530 | −90 |
| Honda | 1160 | +80 |
| Indl Bank Japan | 4600 | −100 |
| Ishikawajima Ha | 708 | −35 |
| Isuzu Motors | 320 | −9 |
| Itoh (C) | 835 | −43 |
| Ito Yokado | 3600 | −130 |
| JAL | 15000 | −900 |
| Jusco | 1170 | −100 |
| Kajima | 1980 | −120 |
| Kao Soap | 1720 | −110 |
| Kawasaki Steel | 240 | −30 |
| Kirin | 2590 | −160 |
| Kobe Steel | 280 | −23 |
| Komatsu | 580 | +4 |
| Konishiroku | 575 | +4 |
| Kubota | 510 | −37 |
| Kumagai | 1180 | −120 |
| Kyoto Ceramic | 3600 | +40 |
| Marubeni | 501 | −7 |
| Marui | 2800 | −70 |
| Mazda Motors | 370 | +11 |
| Meiji Seika | 1010 | −110 |
| MEI | 1500 | +80 |
| M'bishi Bank | 3870 | −190 |
| M'bishi Chem | 966 | −29 |
| M'bishi Corp | 1280 | −140 |
| M'bishi Elec | 520 | +5 |
| M'bishi Estate | 3160 | −180 |
| MHI | 610 | −32 |
| Mitsui Bank | 2590 | −170 |
| Mitsui Co | 830 | −35 |
| Mitsui Estate | 3640 | −140 |
| Mitsui Toatsu | 720 | −41 |
| Mitsukoshi | 1380 | −140 |
| NGK Insulators | 842 | −36 |
| Nikko Sec | 2800 | −180 |
| Nippon Denso | 1290 | +20 |
| Nippon Elect | 1490 | +60 |
| Nippon Express | 1380 | −130 |
| Nippon Gakki | 1340 | +10 |
| Nippon Kogaku | 640 | +39 |
| Nippon Kokan | 335 | −32 |
| Nippon Oil | 1230 | +10 |

## JAPAN (Continued)

| April 27 | Price Yen | + or − |
|---|---|---|
| Nippon Seiko | 446 | +7 |
| Nippon Shimpan | 1160 | −20 |
| Nippon Steel | 370 | −26 |
| Nippon Suisan | 590 | −10 |
| Nippon Yusen | 635 | −35 |
| Nissan Motor | 644 | +4 |
| Nisshin Flour | 1240 | −80 |
| Nomura | 5500 | −230 |
| Olympus | 990 | +42 |
| Onoda Cement | 680 | −40 |
| Orient Finance | 1370 | +10 |
| Orient Leasing | 3350 | ..... |
| Pioneer | 1600 | ..... |
| Ricoh | 740 | +30 |
| Sankyo | 1720 | −100 |
| Sanwa Bank | 3200 | −190 |
| Sanyo Elect | 407 | −3 |
| Sapporo | 1880 | −90 |
| Sekisui Prefab | 1910 | −80 |
| Seven-Eleven | 7090 | −10 |
| Sharp | 827 | +11 |
| Shimizu Const | 1080 | −50 |
| Shionogi | 1710 | −100 |
| Shiseido | 1680 | −40 |
| Showa Denko | 659 | −26 |
| Sony | 2720 | ..... |
| S'tomo Bank | 4510 | −220 |
| Sumitomo Chem | 852 | −98 |
| Sumitomo Corp | 1060 | −70 |
| S'tomo Elect | 1460 | ..... |
| S'tomo Metal | 220 | −22 |
| Taisei Corp | 1210 | −90 |
| Taisho Marine | 1360 | −60 |
| Taiyo Kobe Bank | 1820 | ..... |
| Takeda | 3270 | −150 |
| TDK | 2830 | +170 |
| Teijin | 770 | −30 |
| Tao Nenryo Kyo | 2250 | +60 |
| Tokai Bank | 2300 | −100 |
| Tokyo Marine | 2560 | −180 |
| Tokyo Elect Pwr | 8500 | −460 |
| Tokyo Gas | 1380 | −120 |
| Tokyu Corp | 1830 | −120 |
| Toppan Print | 1440 | −40 |
| Toray | 705 | −30 |
| Toshiba Elect | 725 | ..... |
| Toyo Seikan | 2100 | −30 |
| Toyota Motor | 1500 | +10 |
| UBE Inds | 449 | −34 |
| Victor | 1750 | +60 |
| Yamaha | 706 | −4 |
| Yamaichi Sec | 2800 | −150 |
| Yamanouchi | 3630 | −240 |
| Yamazaki | 1850 | −50 |
| Yasuda Fire | 1310 | −100 |

## SINGAPORE

| April 27 | Price $ | + or − |
|---|---|---|
| Boustead Hldgs | 1.85 | +0.05 |
| Cold Storage | 4 | ..... |
| DBS | 13.30 | ..... |
| Genting | 7.05 | +0.1 |
| Haw Par Bros | 4.08 | +0.04 |
| Hong Leong Fin | 3.38 | −0.04 |
| Inchcape Bhd | 3.85 | +0.14 |
| Keppel Shipyard | 3.12 | +0.06 |
| Malay Banking | 7.9 | ..... |
| Malayan Utd. Ind. | 2.4 | −0.07 |
| Multi Purpose | 0.90 | +0.06 |
| OCBC | 9.3 | ..... |
| OUB | 3.94 | +0.06 |
| Public Bank | 2.22 | −0.03 |
| Sime Darby | 3.12 | −0.04 |
| Singapore Air | 12.4 | +0.2 |
| Singapore Press | 7.9 | −0.15 |
| Straits Trading | 4.12 | +0.02 |
| Tat Lee Bank | 3.16 | ..... |
| UOB | 5.1 | −0.05 |

## SOUTH AFRICA

| April 27 | Price Rand | + or − |
|---|---|---|
| Abercom | 5.4 | ..... |
| AE & CI | 19 | ..... |
| Allied Tech | 125 | +10 |
| Anglo Am Coal | 89 | ..... |
| Anglo Am Corp | 79.25 | +1.25 |
| Anglo Am Gold | 367 | +12 |
| Barclays Bank | 24 | +1.25 |
| Barlow Rand | 25 | ..... |
| Buffels | 77.5 | +0.75 |
| CNA Gallo | 4.4 | +0.1 |
| Currie Finance | 5.6 | −0.15 |
| De Beers | 42 | −1.25 |
| Driefontein | 85.5 | +0.5 |
| Freegold | 60.75 | +0.75 |
| Gold Fields SA | 78 | +1.25 |
| Highveld Steel | 6.8 | +0.05 |
| Malcor Hldgs | 20.75 | ..... |
| Nedbank | 9.05 | +0.1 |
| OK Bazaars | 17 | +0.1 |
| Rembrandt | 106.5 | +0.5 |
| Rust Plat | 59 | −1 |
| Safren | 25.25 | +0.25 |
| Sage Holdings | 16 | +2 |
| SA Brewers | 19.5 | +0.5 |
| Smith (C.G.) | 30.75 | ..... |
| Tongaat Hulett | 11.65 | −0.15 |

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

# CANADA

## TORONTO
*Closing prices April 27*

[illegible]

## MONTREAL
*Closing prices April 27*

[illegible]

F—No voting rights or restricted voting rights.

Sales 11,895,218 shares

# Indices

## NEW YORK — DOW JONES

[illegible]

## STANDARD AND POORS

[illegible]

## N.Y.S.E. ALL COMMON

[illegible]

## RISES AND FALLS

[illegible]

## TORONTO

[illegible]

## MONTREAL Portfolio

[illegible]

## NYSE-Consolidated 1500 Actives

[illegible]

## LONDON — Most Active Stocks
Monday, April 27, 1987

[illegible]

## TOKYO — Most Active Stocks
Monday, April 27, 1987

[illegible]

# OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

[illegible]

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 43

[illegible]

# LONDON
## Chief price changes
(in pence unless otherwise indicated)

| RISES: | | |
|---|---|---|
| Broms Inds. | 127 | +10 |
| CRA | 469 | +69 |
| Ctry, New Tn | 162 | +10 |
| Crat Lodge | 93 | +7 |
| Gar Booth | 248 | +12 |
| Hammerson A | 529 | +12½ |
| Hillards | 345 | +11 |
| Huntg Assoc. | 426 | +45 |
| Inchcape | 639 | +33 |
| Lec Refrig | 320 | +15½ |
| Leeds Gr. | 358 | +33 |
| MacL.(P.&W.) | 119 | +19½ |
| Mrkhth Secs. | 110 | +7 |
| Menzies (J.) | 392 | +12 |
| Nth Brkn Hill | 165 | +12 |
| Ratcliffe Inds. | 125 | +10 |
| RTZ | 980 | +22 |
| Strong & Fisher | 238 | +12 |
| Sun Life | £12¾ | +¼ |
| Tilbury | 312 | +20 |
| Wace | 115 | +6 |
| Walk.Greenbnk. | 97½ | +8 |
| Wilkes (J.) | 202 | +22 |

| FALLS: | | |
|---|---|---|
| BTR | 304 | −8 |
| Farnell Elec. | 213 | −12 |
| Jaguar | 560 | −24 |
| Lloyds Bk. | 518 | −16 |
| Midland Bk. | 659 | −11 |
| Wellcome | 408 | −11 |
| Youghal Carps | 9 | −16 |

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 33⅝ | 20⅛ | AAR s | .50 | 1.7 | 20 | 445 | 29 | 27¾ | 29 | |
| 37 | 21⅞ | ADT | .92 | 2.9 | 18 | 360 | 31⅝ | 31⅝ | 31⅝ | |
| 41½ | 23⅝ | AFG | .12e | .4 | 10 | 944 | 34 | 33⅝ | 33¾ | −½ |
| 40¼ | 16¾ | AGS | | | 19 | 255 | 38 | 36¾ | 37¾ | +¼ |
| 13¾ | 6¾ | AMCA | | | | 34 | 8 | 7¾ | 8 | −¼ |
| 9⅝ | 4⅞ | AM Intl | | | | 2880 | 6¾ | 6⅜ | 6½ | −½ |
| 62⅛ | 47¼ | AMR | | | 11 | 7384 | 52½ | 50½ | 51¾ | −⅜ |
| 27½ | 25 | ANR pf 2.67 | | 10. | | 16 | 26⅝ | 25⅞ | 25⅞ | |
| 12⅞ | 6 | ARX s | | | 12 | 88 | 10¼ | 10 | 10⅛ | +⅛ |
| 73½ | 28¾ | ASA | 2a | 3.2 | | 3144 | 70 | 63 | 63⅝ | −4¼ |
| 20 | 9⅝ | AVX | | 1.6 | 90 | 163 | 18 | 17⅜ | 18 | |
| 67 | 41 | AbtLb s | 1 | 1.7 | 24 | 7458 | 59 | 56¼ | 58⅝ | +⅛ |
| 34¾ | 25 | AccoWd .62 | | 2.1 | 19 | 90 | 30⅛ | 29½ | 29⅞ | −⅛ |
| 15⅝ | 9 | AcmeC .40 | | 3.1 | 9 | 288 | 12⅞ | 12⅝ | 12¾ | −¼ |
| 8½ | 6⅛ | AcmeE .32b | | 4.1 | 27 | 23 | 7⅞ | 7¾ | 7¾ | |
| 23⅞ | 19 | AdaEx 3.42e | | 16. | | 173 | 21¼ | 20¾ | 21⅛ | |
| 19½ | 11⅝ | AdmM s .24 | | 1.4 | 13 | 46 | 17¼ | 17 | 17¼ | −⅛ |
| 21½ | 12⅝ | AdvSys .52t | | 3.3 | 14 | 240 | 16¾ | 15¾ | 15¾ | −⅛ |
| 31½ | 12⅞ | AMD | | | | 10361 | 24 | 20⅝ | 22¼ | +⅞ |
| 52⅝ | 48⅝ | AMD pf | 3 | 5.7 | | 730 | u52¾ | 50¾ | 52⅝ | +1½ |
| 10¾ | 6¼ | Adobe | | | | 66 | 9¾ | 9½ | 9½ | −¼ |
| 20½ | 15¾ | Adob pf 1.84 | | 9.4 | | 2 | 19⅝ | 19⅝ | 19⅝ | −¼ |
| 21⅞ | 16⅝ | Adob pf 2.40 | | 12. | | 4 | 20¾ | 20¾ | 20¾ | +⅛ |
| 16⅝ | 11½ | Advest .12e | | .9 | 10 | 189 | 13⅝ | 13⅛ | 13½ | −¼ |
| 68¼ | 53 | AetnLf 2.76 | | 4.9 | 9 | 8028 | 56⅝ | 55⅝ | 55⅞ | −⅝ |
| 50¾ | 21⅞ | AflPb s .32 | | .7 | 24 | 1058 | 48¾ | 46 | 48½ | −1¼ |
| 26¾ | 16⅞ | Ahmans .88 | | 4.1 | 7 | 6209 | 21⅞ | 20⅝ | 21½ | +¼ |
| 5¾ | 2⅞ | Aileen | | | | 89 | 4⅞ | 4½ | 4½ | −¼ |
| 46½ | 29⅛ | AirPrd s .80 | | 1.9 | 23 | 3045 | 42¼ | 39⅝ | 42 | +1 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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Market Makers in Euro-Securities

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Continued on Page 43

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

Continued on Page 41

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

# OVER-THE-COUNTER

*Nasdaq national market, closing prices*

Continued on Page 41

# FINANCIAL TIMES

## WORLD STOCK MARKETS

AMERICA

# Volatile day in pursuit of the dollar

### WALL STREET

FOLLOWING the dollar's gyrations, Wall Street stock and bond prices plunged, then recovered in turbulent trading yesterday, *writes Roderick Oram in New York.*

Bond prices had been off as much as 1½ points but followed bond futures to higher ground after the US currency pulled up from record lows set overnight in the Far East.

Stocks followed the lead of the credit markets. The Dow Jones industrial average lost 40 points in the first half-hour, recovered to a gain on the day of more than 16 points before slipping back late in the day to close down 4.83 points at 2,230.54.

Broader market indices were mixed with the Standard & Poor's 500 index edging up 0.31 of a point to 281.83 while the New York and American stock exchange composite indices closed down 0.10 at 281.83 and 3.79 at 318.01 respectively.

NYSE volume was heavy at 222.7m shares with declining issues outnumbering those rising by a ratio of more than two-to-one. Institutional investors did not appear to be active sellers during the morning, some traders said. Reports that Merrill Lynch and Goldman Sachs had advised investors to sell some stocks to increase the cash element of their portfolios might have contributed to the losses.

Merrill Lynch's model portfolio, for example, now stands at 20 per cent cash, 45 per cent equities and 35 per cent bonds, compared with the previous weighting of 15, 50 and 35 respectively.

Oil stocks were among the weakest sectors yesterday, reflecting fears of lower oil prices after reports that Saudi Arabia had exceeded its April Opec oil production quota. Exxon, which reported sharply lower earnings on Friday, was down $1 to $85½, Chevron lost $⅜ to $55⅜, Atlantic Richfield fell $⅝ to $83⅞ and Mobil dropped $¼ to $47¼.

In contrast, Standard Oil rose $⅛ to $72¼, equalling its 52-week high. Investors believe British Petroleum will have to raise its initial offer of $70 a share for the stock it does not already own.

Among industrial groups reporting higher quarterly earnings, ITT dipped $¼ to $53¾, Textron lost $⅛ to $62½, Browning Ferris added $⅜ to $27⅛, Brunswick jumped $2⅜ to $43¼, Goodyear Tire & Rubber rose $1½ to $58½ and Singer fell $⅝ to $44⅛.

In the insurance sector Chubb rose $1⅜ to $56½ and Home Group gained $1⅜ $21⅛, both on sharply higher first-quarter profits. Among other insurers, Aetna fell $⅝ to $55⅝, CIGNA rose $⅜ to $59¼ and Travelers gained $⅜ to $44⅜.

Chrysler, down $1⅜ to $35⅝, and Boeing, down $2¼ to $45⅜ were among the few companies reporting lower results yesterday. Chrysler also announced a shelf registration for sale of 450,000 shares including 337,000 held by Mr Lee Iacocca, its chairman.

In the takeover arena GAF, down $⅝ to $47¼, dropped its offer for Borg-Warner, down $⅝ to $47⅞. GAF also announced it would earn about $190m pre-tax profit on selling its Borg-Warner shares and it would buy back 3m of its own shares, equal to about 8 per cent of the total.

Commerce Union jumped $1⅛ to $30⅛ in the over-the-counter market after it agreed to a takeover by Sovran Financial, a Virginia bank holding company. Shareholders in Commerce Union will receive 0.91 of a Sovran share for each share in the Tennessee bank holding company in one of the largest bank acquisitions in the southeastern US. Sovran fell $2⅜ to $36.

Burlington Industries, the largest US textiles producer, jumped a further $2⅝ to $58⅝ following Friday's takeover offer of $60 a share from Dominion Textile of Canada and Mr Asher Edelman, a New York corporate raider.

The most active NYSE issue was Southern Companies, a southeastern US utilities holding company, which begins trading ex-dividend today. It rose $¼ to $24⅜ on volume of more than 7.5m shares.

Credit markets got off to a bad start with sharp falls of about 1½ points in bond prices because of the dollar's weakness abroad. A partial recovery in Europe and New York from the dollar's heavy losses overnight in the Far East helped bond futures to lift the cash market.

The price of the benchmark 7.50 per cent Treasury long bond finished the day up ¹³⁄₁₆ of a point at 88⁹⁄₃₂ at which it yielded 8.59 per cent. Prices of other bonds followed a similar pattern.

### CANADA

WORRIES about rising interest rates and the falling US dollar caused sharp dips from the start in Toronto trading, with profit-taking much in evidence.

Oil shares were among those hit, with Imperial Oil class A losing C$1⅛ to C$64⅛, Gulf Canada dropping C$1 to C$26½ and Shell Canada easing C$1 to C$41¼.

Canadian Pacific, one of the most active volume leaders, shed C$1 to C$21⅜, Nova Alberta class A dropped C$⅜ to C$7¼ and Laidlaw class A eased C$1 to C$28⅜.

Golds, too, were affected by profit-taking after reaping the reward of higher bullion prices. Campbell Red Lake shed C$3½ to C$37½, Dome Mines lost C$3⅜ to C$18⅜, Echo Bay slipped C$2⅜ to C$54½ and Lac Minerals eased C$1 to C$43¼ while reporting a higher first quarter profit.

Montreal followed the downward trend.

Yoko Shibata reports on Japan's response to Western pressure

# TSE may grant foreign seats early

THE TOKYO Stock Exchange (TSE) is expected to decide in the summer or autumn this year on the number of additional seats to be allocated to foreign securities houses, Mr Kiichi Miyazawa, the Japanese Finance Minister, told a committee of the *Diet* (parliament) yesterday.

Such a decision by the TSE would virtually settle the problem of opening the exchange further to foreign companies, Mr Miyazawa said.

His comments on TSE membership follow an increase in pressure on the Japanese authorities by the US and UK in recent weeks. Mr Charles Schummer, a US Democratic senator who recently visited Japan to press for wider access for US commercial banks and investment banks, said the TSE had agreed to invite applications from prospective foreign members by October, which would mean that new members could begin trading by May next year – six months earlier than previously expected.

Mr Michael Howard, the British Minister of Corporate and Consumer Affairs, earlier this month urged the Ministry of Finance to work out rapidly a concrete schedule for allowing more foreign securities houses to join the TSE.

The TSE flatly rejected the request saying it could not physically accommodate more members until May 1988, when its new buildings would be completed.

TSE officials appeared to be softening their position last Friday when they hinted that the physical problems of the exchange could be solved when the new exchange building was ready.

Six foreign brokerage houses hold seats on the TSE: S.G. Warburg Securities, Jardine Fleming, Goldman Sachs, Merrill Lynch, Morgan Stanley and Vickers da Costa, a subsidiary of Citicorp.

The UK Government has threatened to invoke provisions contained in the Financial Services Act which would enable it to refuse new licences for Japanese banks and insurance companies wishing to operate from London.

The UK has told Japan it wants three more TSE seats for Baring Brothers, J. Henry Schroder Wagg and Kleinwort Benson by the end of this year.

When Mr Schumer introduced the bill concerning possible cancellation of primary dealership of US Government securities for Japanese companies, he said that granting financial service companies more access to Japan was among topics to be discussed between the Reagan Administration and the Japanese Prime Minister Mr Yasuhiro Nakasone who visits the US this week.

Mr Schumer said the TSE officials indicated strongly that several US companies would be admitted. It is understood that Salomon Brothers and First Boston are near the top of the list.

The visiting managing director of First Boston, Mr James Welsh, said here: "First Boston plans to expand the Japanese operations in response to the internationalisation of the Japanese capital market." Mr Welsh expressed his company's strong interest in becoming a member of the TSE.

Mr Kiichi Miyazawa

ASIA

# Biggest one-day fall for Nikkei

### TOKYO

THE YEN'S unabated strength severely depressed the Tokyo market yesterday, pushing the Nikkei average into its biggest ever single-day fall, *writes Shigeo Nishiwaki of Jiji Press.*

The closely followed market barometer shed a record 831.32 points from last week's close to 23,072.41. The previous largest single-day drop of 637.33 points was recorded on September 16 last year.

Volume totalled 1.13bn shares compared with Friday's 1.81bn. Losses outran gains by 639 to 238, with 121 issues unchanged.

On the Tokyo foreign exchange market, the dollar continued its slide against the yen, plunging to a postwar record low of Y137.25 briefly before closing at Y138.10, down Y1.40 from last week's close.

Simmering investor concern over precariously high prices boiled over. Small-lot selling hit large-capitalisation stocks, issues expected to benefit from growing domestic demand and financial shares. Conversely, blue chips performed strongly despite the soaring yen.

Conspicuous fall were registered by large-capital steels and shipbuildings, targets of institutional investors since the beginning of this year.

Nippon Steel, though topping the active list with 117.19m shares changing hands, lost Y26 to Y370. *Ishikawajima-Harima* Heavy Industries, the second busiest issue with 69.50m shares traded, plummeted Y55 to Y708.

Power and gas utilities fared poorly, with Tokyo Electric Power declining Y460 to Y8,500, Kansai Electric Power Y270 to Y4,280, and Tokyo Gas Y120 to Y1,380.

Against this bearish scenario, recently unpopular blue chips rose almost across the board.

Bond prices moved erratically, with institutional investors retreating to the sidelines.

The yield on the benchmark 5.1 per cent government bond, maturing in June 1996, fell to an all-time low of 3 per cent shortly after the opening. Later, however, investors' wariness about the rapid yield drop grew, sending the yield up to 3.230 per cent at the close of yesterday's trading from Saturday's 3.115 per cent.

The yield on the benchmark issue declined to record lows of 2.990 per cent on the over-the-counter market.

### AUSTRALIA

STRONG SUPPORT for gold stocks and leading miners pushed Sydney shares to record levels. Demand for golds was inspired by persistent worries over the state of the US dollar and the continued buoyancy of the bullion price.

The All Ordinaries index finished 28.1 points higher at a record close of 1,799.8, just 0.1 above the previous high reached on April 13.

The gold index rose 123.3 points to a record 3,677.5, a gain of 3.4 per cent and the All Resources index rose 42.5 points to 1,223.1.

### HONG KONG

FEARS for the dollar sparked selling by both small investors and institutions in Hong Kong. There was a 71.14 drop in the Hang Seng index, while the Hong Kong index fell 46.17 to 1,696.50.

Principal sellers were British brokerage houses, concerned that continued dollar weakness could hit the local currency. In spite of activity by US and Japanese officials and Bundesbank and Bank of Japan intervention, the US dollar registered a mixed ending.

### SINGAPORE

PROFIT-TAKING weakened a strong early surge during an active day, with Singapore blue chips hardest hit. Relief that the Malaysian elections are over was shown by stepped-up activity involving Malaysian issues.

The Straits Times industrial index gained 2.61 points to 1,140.37 and the All-Share index improved 0.87 to 338.03.

EUROPE

# Frankfurt heads downward trend

THE WEAKER dollar and the overnight drop on Far Eastern exchanges unsettled trading on the European bourses yesterday.

Frankfurt led the way down as the Commerzbank index plunged 54.3 to 1,749.40.

The failure of Bundesbank intervention to prevent the dollar sliding to DM 1.7765 against Friday's DM 1.7969 at the Frankfurt fixing sparked the large selloff, which gathered pace after the suspension of trading in Klöckner Werke until the group's annual meeting on Thursday.

*Klöckner* had plummeted DM 67.50 in hectic Friday trading that focused on fears that it might suffer losses of up to DM 300m from the bankruptcy of its 49 per cent owned steelmaking subsidiary Maxhuette.

The selloff coincided with the release of a BHF bank survey of the German dependence on exports, which accounted for over 33 per cent of GNP in 1986.

The automobile sector, which in the single most important exporting industry in the German economy with 18 per cent of all exports, derived little joy from this news as the dollar plunged.

Daimler fell DM 32 to DM 956, BMW was DM 15 cheaper at DM 545 and VW at DM 339.50 closed DM 8.50 lower.

Banks were also sharply lower with Deutsche Bank DM 19.80 cheaper at DM 616.50 and Dresdner down DM 11 to DM 332.

### LONDON

THE STRENGTH of the pound, the sharp decline in Tokyo shares and an absence of foreign buyers helped to depress London equities, but selling was persistent rather than heavy.

Share prices closed above the day's worst levels, with the FT-SE 100 index down 14.9 at 1,986.6 and the FT Ordinary 15.7 lower at 1,565.2.

Gilts opened a shade higher on some light buying from Japan but soon fell back in the face of a gloomy performance by New York bonds. Details, Page 40.

Chemicals, also sensitive to dollar fluctuations, posted a broad retreat with Bayer down DM 10.30 to DM 297.70 and *BASF* weakened by DM 8.30 to close at DM 265.

Bonds were traded thinly with most domestic and overseas buyers on the sidelines on fears of higher international interest rates. Longs dropped by up to 40 basis points although some issues managed gains of nearly 5 basis points.

The Bundesbank's market balancing activities amounted to purchases of DM 32.4m after sales on Friday of DM 161.9m. The average yield on public authority paper rose to 5.40 per cent from 5.38 per cent.

Paris derived little joy from the weaker dollar as exporters turned softer. Electronics, car makers and foods were hardest hit while construction issues were weaker on the prospects of higher domestic interest rates.

Radiotechnique fell FFr 115 to FFr 1,605, Matra was FFr 135 lower at FFr 2,730 and Alcatel was FFr 30 down to close to FFr 2,900.

Among the weaker car stocks, Michelin was marked down FFr 220 to FFr 3,600 while Peugeot was FFr 46 off at FFr 1,613.

BSN led the foods sector down with its FFr 200 fall to FFr 5,020 and Moët Hennessy was FFr 34 weaker at FFr 2,361.

Brussels was broadly lower on profit-taking and the weaker dollar although volume remained thin.

The Belgian stock exchange index edged 9.35 lower to 4,611.28. Société Générale de Belgique, which led the market for most of last week, retreated BFr 25 to BFr 3,800.

UCB, the chemical group that posted a sharp rise in profits last week, moved against the trend with a BFr 140 advance to BFr 9,800

Amsterdam retreated under the dollar's weakness as internationals lost ground. Akzo, however, displayed some strength ahead of today's results and the group dropped only Fl 2.70 to Fl 133.40.

Milan was inhibited by growing political uncertainty and profit-takers moved in after last week's solid advance.

Stockholm fell back from its Friday peak mainly due to the dollar and some unease ahead of today's supplementary budget.

Madrid lost ground in reaction to higher interest rates.

SOUTH AFRICA

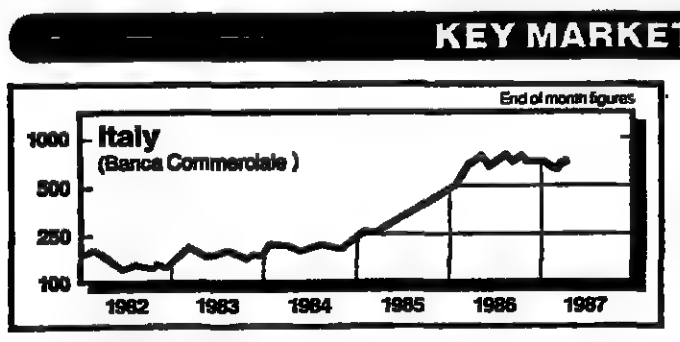
*GOLD stocks continued to rise in* Johannesburg after a nervous start with the bullion price remaining above $470.

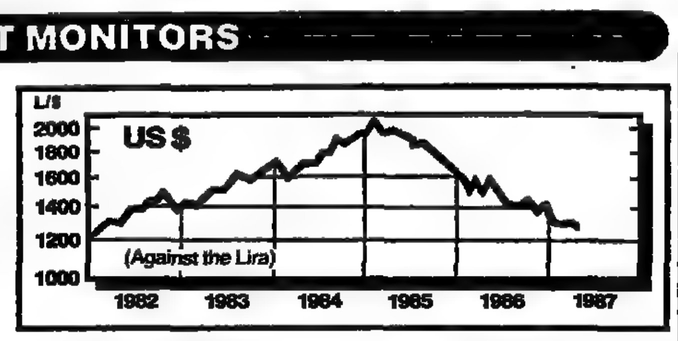
The All-Gold index gained 7 points to 2,312, the Industrial index climbed 8 to 1,824 and the Overall index rose 8 to 2,403, all new highs.

*Randfontein ended R8 up at* R488. An advance of R2.25 was recorded by Kloof at R47.75 and Bracken gained 45 cents at R9.05.

Vaal Reefs, however, finished R10 down at R460 and ended among the few loss-makers after its R29 gain on Friday.

## KEY MARKET MONITORS




**STOCK MARKET INDICES**

| | April 27 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 2,236.51* | 2,235.37 | 1,835.57 |
| DJ Transport | 906.35* | 913.47 | 810.97 |
| DJ Utilities | 199.79* | 199.33 | 186.70 |
| S&P Comp. | 281.96* | 281.52 | 242.29 |
| **LONDON FT** | | | |
| Ord | 1,565.2 | 1,580.9 | 1,365.3 |
| SE 100 | 1,986.6 | 2,001.5 | 1,622.6 |
| A All-share | 994.81 | 1 001.33 | 801.14 |
| A 500 | 1,104.68 | 1,111.97 | 877.37 |
| Gold mines | 463.6 | 444.4 | 253.7 |
| A Long gilt | 8.99 | 8.92 | 7.79 |
| World Act. Ind | 130.38 | 130.25 | 127.87 |
| **TOKYO** | | | |
| Nikkei | 23,012.41 | 24,008.3 | 15,689.9 |
| Tokyo SE | 2,050.62 | 2,145.98 | 1,245.11 |
| **AUSTRALIA** | | | |
| All Ord. | 1,789.9 | 1,776.7 | (c) |
| Metals & Mins. | 1,224.5 | 1,152.2 | (c) |
| **AUSTRIA** | | | |
| Credit Aktien | 197.93 | 199.00 | 128.08 |
| **BELGIAN SE** | 4,611.26 | 4,620.63 | 3,667.64 |
| **CANADA** | | | |
| Toronto | | | |
| Met & Mins. | 2,651.0 | 2,752.3 | 2,160.0 |
| Composite | 3,659.2 | 3,733.30 | 3,125.8 |
| Montreal | | | |
| Portfolio | 1,803.92 | 1,840.32 | 1,609.33 |
| **DENMARK SE** | – | 197.64 | (c) |
| **FRANCE** | | | |
| CAC Gen | 452.20 | 454.70 | 404.9 |
| Ind. Tendance | 112.80 | 114.6 | 95.8 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 678.12 | 695.20 | 721.67 |
| Commerzbank | 1,749.40 | 1,803.70 | 2,193.2 |
| **HONG KONG** Hang Seng | 2,636.47 | 2,707.61 | 1,834.62 |
| **ITALY** Banca Comm. | 759.16 | 761.33 | (c) |
| **NETHERLANDS** ANP CBS | | | |
| Gen | 278.40 | 284.0 | 270.6 |
| Ind | 262.10 | 265.8 | 256.1 |
| **NORWAY** Oslo SE | 430.19 | 436.16 | 359.47 |
| **SINGAPORE** Straits Times | 1,140.50 | 1,137.76 | 570,60 |
| **SOUTH AFRICA** JSE | | | |
| Golds | – | 2,294.0 | 1,175.9 |
| Industrials | – | 1,816.0 | 1,094.7 |
| **SPAIN** Madrid SE | 226.12 | 233.66 | 173.92 |
| **SWEDEN** J & P | 2,728.70 | 2,752.4 | 2,302.95 |
| **SWITZERLAND** Swiss Bank Ind | 588.40 | 589.4 | 586.4 |

**COMMODITIES (London)**

| | April 27 | Prev |
|---|---|---|
| Silver (spot) | 553.60p | 554.45p |
| Copper (cash) | £880.50 | £869.25 |
| Coffee (July) | £1,395.00 | £1,382.50 |
| Oil (Brent) | $17.95 | $18.225 |

**GOLD ($/oz)**

| | April 27 | Prev |
|---|---|---|
| London | $472.00 | $465.00 |
| Zürich | $478.00 | $462.50 |
| Paris (fixing) | $473.15 | $458.64 |
| Luxembourg | $470.25 | $459.50 |
| New York (June) | $446.00 | $465.50 |

**CURRENCIES (London)**

| | US DOLLAR April 27 | US DOLLAR Previous | STERLING April 27 | STERLING Previous |
|---|---|---|---|---|
| $ | – | – | 1.6570 | 1.6570 |
| DM | 1.7820 | 1.7910 | 2.97 | 2.9675 |
| Yen | 138.35 | 139.70 | 230.50 | 231.50 |
| FFr | 5.965 | 5.9725 | 9.945 | 9.895 |
| SFr | 1.4600 | 1.4620 | 2.435 | 2.4225 |
| Fl | 2.0110 | 2.0205 | 3.3625 | 3.3475 |
| Lira | 1,277 | 1,278 | 2,129 | 2,117.50 |
| BFr | 37.00 | 37.10 | 61.70 | 61.45 |
| C$ | 1.3380 | 1.3330 | 2.2310 | 2.2005 |

**INTEREST RATES**

| | April 27 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 9¹¹⁄₁₆ | 9¹¹⁄₁₆ |
| SFr | 4 | 4 |
| DM | 3¹³⁄₁₆ | 3¹³⁄₁₆ |
| FFr | 8⅝ | 8⁹⁄₁₆ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 7⅛ | 7³⁄₁₆ |
| 6-month US$ | 7⅛ | 7⅛ |
| US Fed Funds | 6½* | 6⅛ |
| US 3-month CDs | 6.70* | 6.875 |
| US 3-month T-bills | 5.74* | 5.89 |

**FINANCIAL FUTURES**

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| **CHICAGO** | | | | |
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| April 27 | | | | |
| June | 90–24 | 91–11 | 88–13 | 89–18 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| June | 93.86 | 93.90 | 93.74 | 93.85 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| June | – | – | – | 93.28 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| June | 92.53 | 92.56 | 92.51 | 92.60 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| June | 125–09 | 126–20 | 125–08 | 126–03 |

**US BONDS**

**Treasury**

| | April 27 Price | April 27 Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| 7¼ 1989 | 99⁹⁄₃₂ | 7.519 | 99²³⁄₃₂ | 7.108 |
| 7 1994 | 93¹³⁄₃₂ | 8.229 | 94¹⁵⁄₃₂ | 8.067 |
| 7⅜ 1996 | 92²⁹⁄₃₂ | 8.365 | 93¹⁴⁄₃₂ | 8.256 |
| 7½ 2016 | 88⁹⁄₃₂ | 8.61 | 89²⁹⁄₃₂ | 8.444 |

*Source: Harris Trust Savings Bank*

**Treasury Index**

| Maturity (years) | April 27 Return index | Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 163.17 | +0.23 | 6.93 | –0.03 |
| 1–10 | 154.63 | +0.12 | 6.66 | –0.03 |
| 1– 3 | 144.03 | +0.07 | 6.37 | –0.03 |
| 3– 5 | 157.57 | +0.17 | 6.71 | –0.03 |
| 15–30 | 193.56 | +0.59 | 7.78 | –0.03 |

*Source: Merrill Lynch*

**Corporate**

| | April 27 Price | April 27 Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| AT&T 3⅞ July 1990 | 92.34 | 6.60 | 93.39 | 6.20 |
| SCBT South Central 10⅛ Jan 1993 | 104.25 | 9.90 | 103.0 | 10.18 |
| Phibro Sal 8 April 1996 | 91.38 | 9.45 | 93.66 | 9.05 |
| TRW 8⅞ March 1996 | 96.13 | 9.40 | 98.0 | 9.08 |
| Arco 9⅞ March 2016 | 98.75 | 10.0 | 102.75 | 9.59 |
| General Motors 8⅝ April 2016 | 81.875 | 10.06 | 85.50 | 9.62 |
| Citicorp 9⅝ March 2016 | 89.82 | 10.50 | 93.125 | 10.11 |

*Source: Salomon Brothers*

* Latest available figures

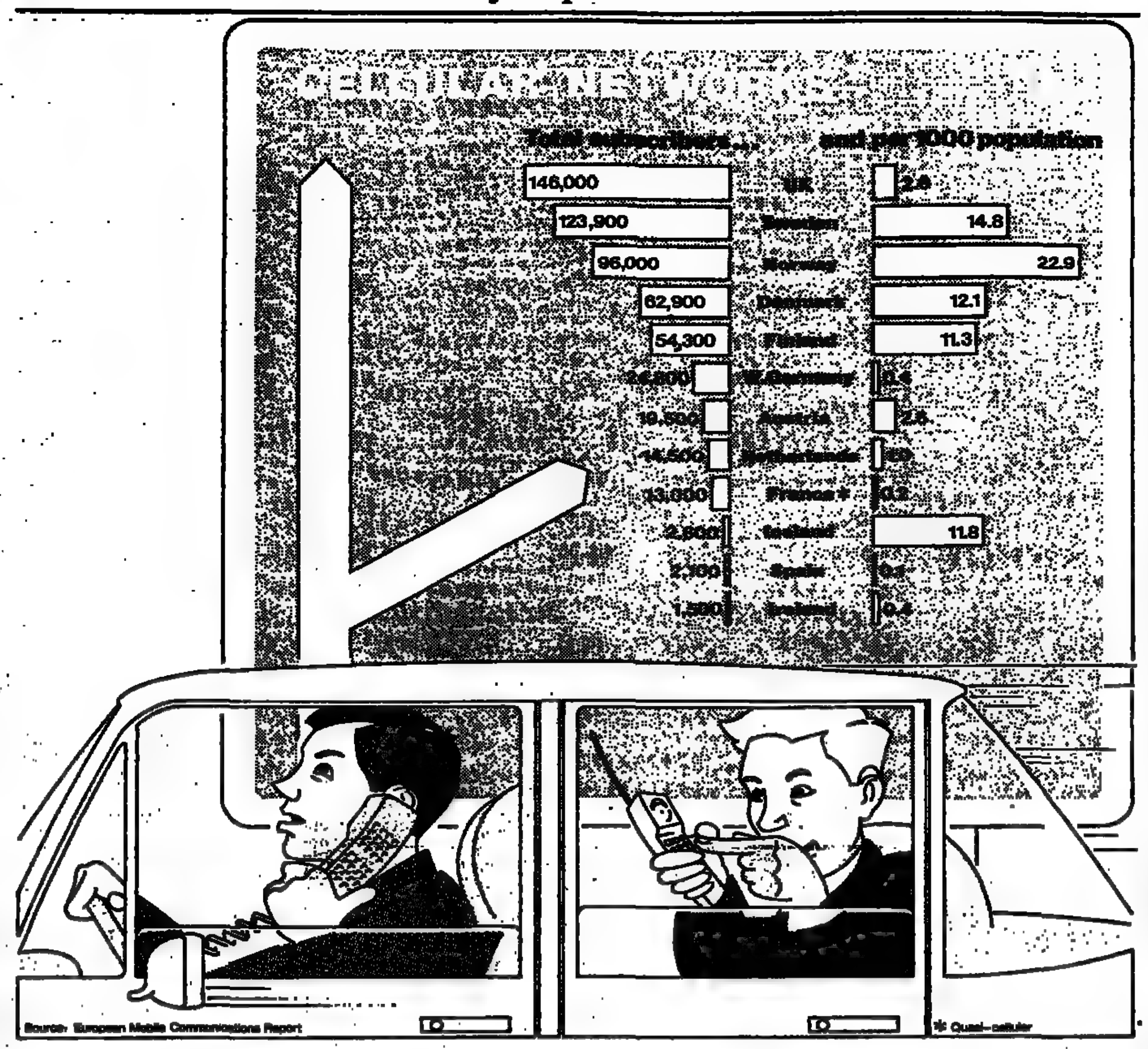
SECTION IV

Tuesday April 28 1987

# FINANCIAL TIMES SURVEY

There is vast potential for development in mobile communications, equipment and services. Europe already has 500,000 users of cellular radio, but an agreement on a pan-European network would be a major step forward towards a truly international mobile communications industry, as **David Thomas** reports.

## Mobile Communications




Source: European Mobile Communications Report

* Quasi-cellular

CONTENTS



### An exploding market

MOBILE COMMUNICATIONS have been one of the success stories of the 1980s. Carphones, portable phones, pagers and private mobile radio are becoming an increasingly common sight in industrialised countries, particularly in the large cities.

Their use still varies greatly from country to country, but mainly because of the different times at which each country has introduced a modern cellular telephone network, the heart of the mobile communications revolution. Huge latent demand has been revealed in virtually every country that has introduced such a network.

Moreover, in most countries the pattern of growth has been consistent with the four phases which Logica, the UK consultancy, in a recent study detected in Scandinavia, the cellular pioneers in Europe:

- Senior executives form the bulk of users when the system is first introduced.
- Employees who spend more than 80 per cent of their time on the road provide the main focus for growth during the second phase.
- Semi-mobile groups, such as sales staff, journalists and doctors, turn to cellular in large numbers in the next phase. Logica says this has already started in Scandinavia.
- Finally, cellular phones become a truly mass market. Cheaper prices, plus a more universal coverage, are required to usher in this fourth phase.

In the US, most of the 90 largest cities now have at least one cellular system and dozens more are being built — an impressive record since the first commercial licence was issued only in 1984, following years of regulatory rows. One estimate suggests the US will have 2.6m cellular telephones by the end of the decade.

In Japan, where Motorola of the US waged a battle to enter the cellular market every bit as fierce as that fought by Cable and Wireless of the UK to take a slice of Japan's international telecommunications traffic, cellular is booming too. Up from 64,000 cellular carphones in 1985 to 90,000 last year, the number will reach 125,000 this year, according to Nippon Telegraph and Telephone.

The story is similar in Europe, which now has more than 500,000 cellular users. The number will grow by about 30 per cent a year for the rest of the decade, and cellular users should have reached 3.3m within 10 years, according to a recent report from Communications and Information Technology (CIT) Research, a UK communications company.

However, these global figures conceal widespread variations in Europe.

Scandinavia has consistently led the pack. In all the Scandinavian countries, penetration levels are more than 10 per 1,000 population. Iceland has reached this penetration level despite having launched its service only last year.

The success of the Scandinavian countries is explained by their affluence, their low population density and the fact that they introduced their system in the early 1980s, comfortably ahead of other European countries.

Of the newcomers, the UK has seen the most spectacular growth. With about 150,000 subscribers, it now has the largest number of cellular subscribers in Europe, having recently overtaken Sweden. Many observers attribute this to the fact that the UK has two competing networks, Cellnet and Vodafone. The UK is alone in Europe in developing its system competitively, though competition exists in US cellular and will be introduced into Japan next year.

However, the growth of cellular has been patchy in many other European countries, though there are now signs in some of a take-off. Cellular use in West Germany has expanded smoothly to more than 24,000 since the Bundespost introduced its first fully cellular service there in the middle of last year. The Bundespost is talking of 100,000 subscribers on this new network, but Siemens, the large West German equipment manufacturer, believes demand could be 400,000-500,000 by the time the planned pan-European digital network enters service in 1991.

France still does not have a fully cellular service, though there are plans to introduce one in competition with the present severely limited mobile telecommunications service, which has only 13,000 users.

Running parallel with the expansion of cellular are a number of other trends which will shape the future of mobile communications into the 1990s.

Increasing stress is likely to be placed, particularly in the more developed markets, on services other than basic voice traffic.

In the UK, competition between the two cellular networks, Cellnet and Vodafone, on the grounds of price and geographical coverage has diminished. The next round of competition could turn in part on the level of value added services offered, such as messaging facilities if the subscriber is not able to answer the phone. Not only are they likely to attract more customers, but many of these services will have higher margins than simple voice traffic.

The transmission of data over cellular, though still in its infancy, could also be another growth point. Electronic mail, telex, videotex, database searches and updates and facsimile are among the services on offer to executives in their cars. Salesmen need no longer return to their offices before doing their paper-work if they have access to the modem and interfacing equipment necessary for mobile data.

In Sweden, a data service called Mobitex was launched last year with a projection of 75,000 customers after 10 years. The UK cellular operators say that maybe 10 per cent of their customers will use data.

Other forms of mobile communications, such as paging and private mobile radio, are also developing fast.

In Japan, paging services are being expanded this year to serve eight new areas. Nippon Telegraph and Telephone plans to have more than 2.8m paging customers by the end of this financial year.

In Europe, according to CIT research, the 1m wide-area paging users will double by 1990. Greater competition is about to hit the UK paging market, with at least two companies planning to launch new national paging services over the next year. Sophisticated private mobile radio services are due to start up this year in the UK, too, in a wedge of spectrum known as Band III which was previously used by black-and-white television.

As with cellular, mobile radio and paging are offering more modern services. In Britain, the Band III companies will provide data transmission, so that field workers, such as maintenance men, will be able to give their customers immediate invoices after communicating with their offices via mobile data. Paging companies are putting more stress on back up services, such as messaging facilities.

These other types of mobile communications could divert customers away from cellular. However, most observers believe them to be complementary, catering either for different types of customer or for different functions.

There is now a huge market for mobile communications equipment and services, thanks to all this activity. The US market alone could be worth almost $5bn by 1990, according to Dataquest, the US market research company. In Japan, NTT is increasing its spending on paging alone to Y9bn. In Europe, according to CIT research, spending on equipment and services will be about $4bn by 1990, up from almost $2bn last year.

Companies such as Ericsson of Sweden, Motorola of the US, Nokia-Mobira of Finland, and NEC and Panasonic of Japan, have already generated substantial revenues from selling switches, base stations and handsets. Competition is bound to increase as the market continues to grow.

Hiccups have developed in the standard setting process for this pan-European network, and the European authorities are trying to forge a final agreement at the moment. Introducing the pan-European network on time is seen as vital by many experts in Europe, not just to give European consumers the ability to use cellular telephones across borders for the first time, but also to deal with the capacity problems which will hit many *first generation analogue* services in the early 1990s.

Agreement on the pan-European network would be a major step towards the development of a truly international mobile communications industry. Also worth watching is whether network and service companies spread their wings internationally, too.

There are signs that this may be happening. The large Bell regional telephone companies, which have been prime movers in mobile communications in the US, have already shown some interest in moving outside the US.

Increasing internationalisation may be the next chapter in what has so far been one of the brighter industrial stories of the 1980s.

London taxi driver Thomas Guy using a Vodafone cellular telephone. The UK has nearly 150,000 cellular-system users—Vodafone has 79,000 subscribers; Cellnet has 70,000 so far.

European Collaboration

# Crucial decisions ahead

THE MONTH of May could mean make-or-break decisions for one of the most ambitious projects ever mooted by the European telecommunications authorities—a pan-European digital cellular network.

The scheme's proponents believe this new network is crucial to sustaining the rapid growth of mobile communications in Europe into the 1990s. They argue that there are at least five prizes to be won if the countries in Europe can sort out their differences and nurse the new network into existence:

- **Pan-European communications:** Central to the scheme is the concept that there should be one cellular mobile communications network linking all the countries of Europe.

At present, cross-border communication is severely constrained by the fact that the analogue systems in most European countries use different standards. With a pan-European network in place, an English businessman will be able to use his portable phone to call his office as soon as he gets off the plane in Milan.

- **Quality:** The pan-European network, because it will be digital, should offer better quality than the present generation of analogue systems. It should also be more suitable for the new demands being placed on mobile communications to transmit increasingly sophisticated data services.

Moreover, some experts believe the digital cellular system should be able to offer cheaper services than the existing analogue systems provided it achieves economies of scale by being adopted on a wide enough basis.

- **Capacity constraints:** So explosive has been the demand for mobile communications in Europe that the analogue systems will be hard pushed to meet demand by the early 1990s.

One estimate suggests that France will run into severe bottlenecks in 1991, the UK in 1992, West Germany in 1993 and the Scandinavian countries in 1995. If these figures are correct, then the new digital scheme will come on stream just as the analogue systems are becoming clogged by their own success.

- **Manufacturing opportunities.** A pan-European digital system built to common standards should offer good oppotunities for European manufacturers, particularly since on the proposed timetable Europe would be introducing a digital system ahead of both Japan and the US.

Non-European companies, such as Motorola of the US and NEC of Japan, have supplied much of the first-generation equipment in some key markets such as the UK. Government officials associated with the pan-European project hope that European manufacturers will seize the opportunity offered by the new system.

Estimates, which are inevitably little more than guesswork at present, suggest that about £1bn may have to be spent on base stations and exchanges to get the network running, followed by another £1bn on mobile equipment.

European companies such as Siemens and Bosch of West Germany, Philips of the Netherlands, Ericsson of Sweden, Matra of France, Mobira of Finland, and Racal and Plessey of the UK are all showing interest in the pan-European system. Most observers expect a small number of consortia to be formed out of these and other European players in the field.

- **European precedent:** More intangibly, but equally important, is the boost which agreement on the pan-European system would give to those who believe that Europe's high tech future depends on creating a truly common market based on common standards.

European telecommunications has been characterised by national champions, national telecom authorities and national regulators. The result is that European manufacturers lack the potential economies of scale in their home markets which are open to the Americans and the Japanese.

The pan-European cellular system is an attempt to plan from scratch a new communications network based on common standards. "If we fail this test, are we just dreaming when we think about more advanced programmes like common standards for a fibre optic network?" asks one of the participants in the standard setting process.

But first the European countries will need to deal with the hiccup which has disrupted the standard setting process. A meeting of European telecommunications experts in Madeira in February failed to reach complete agreement on the key standards question of access to the frequency channels.

Thirteen of the countries represented at Madeira agreed on a narrow band solution. But France and West Germany said they preferred wideband, which is being supported by some manufacturing companies in the two countries.

French and German officials met after Madeira in an attempt to resolve the problem, but without success. Technical experts in both countries appear to have swung behind narrow band, but some industrial interests, particularly in France, stuck with wideband.

In a bid to break the deadlock, the West German government has now called representatives of West Germany, France, Italy and the UK together. The aim is to reach final agreement by the end of May at the latest.

If the standards roadblock can be removed, then work on the pan-European system will gather pace. The plan is to have final specifications ready by the end of this year; to invite tenders in early 1988; to place contracts in mid-1988; and to sign on the first customers in 1991.

Each country will manage its own tendering process, but the key to the pan-European nature of the system is that they will all use identical specifications — which would be a considerable victory over Europe's tower of Babel in technical standards.

**David Thomas**

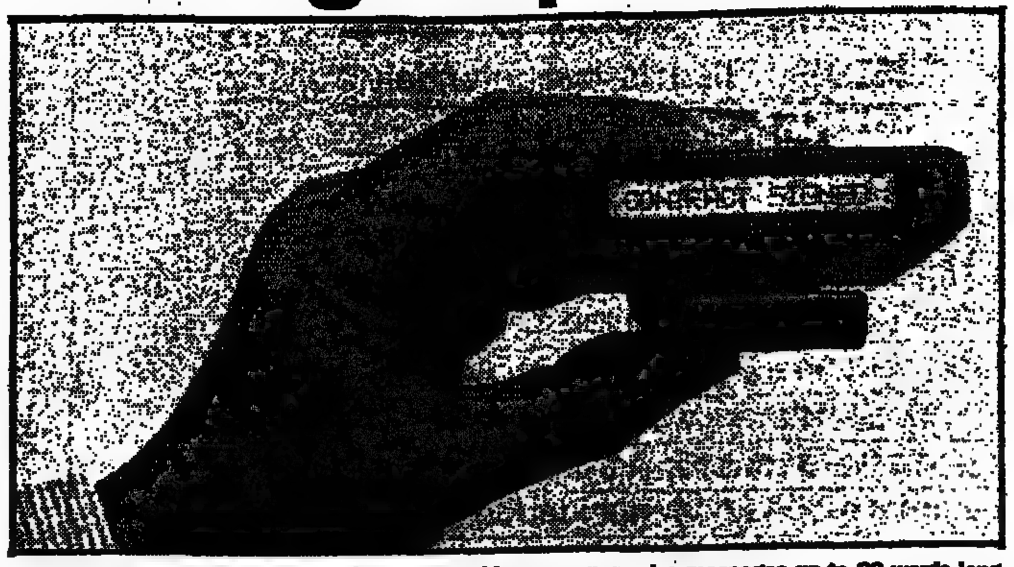
Radiopaging industry

# Poised for big leap forward

OVER THE past year or so, the car telephone has become a smash hit as a success symbol in the UK, an essential adornment for every fast-moving executive or city dealer.

Not so the humble radiopager—still widely seen as a utilitarian device which puts the user at the mercy of his head office without any of the glamour of being able to phone back from a briefcase.

Yet, in its own way, the radiopaging industry has been going through a genuine revolution, and is now moving into a period when it may well attract much more public attention. Over the next 12 months there is a strong possibility that a new competitive national structure will emerge in the industry, bringing the exposure and the intense marketing development which currently characterises the mobile telephone sector.



Inter-City Paging's new high capacity message bleeper can receive messages up to 80 words long, using a scrolling illuminated display.

These potential developments are centred on the granting of a number of new national licences for radiopaging systems, which look like stimulating the development of at least two companies during the course of 1987. They follow a period in which one group, British Telecom Mobile Communications (BTMC), has already demonstrated conclusively that there is a market in the UK for an ambitious, nationwide system.

At present, the industry has an extremely unbalanced structure in the UK. By comparison with many other industrialised countries, the market penetration of radiopagers is relatively low in Britain—about 1.5 per cent of the workforce against 3.6 per cent in Japan, according to BIS Mackintosh, the market research organisation. But BTMC has nevertheless managed to stimulate a great deal of business, grasping at least 85 per cent of the wide-area market according to most estimates.

BTMC has expanded by using its muscle to develop a national system, with a subscriber base of 370,000 users, at a time when no other company was prepared to take the gamble.

By breaking the country up into 40 separate zones, and lacing the system with transmission networks, the company has managed to provide cover on its radiopaging system for more than 90 per cent of the total population.

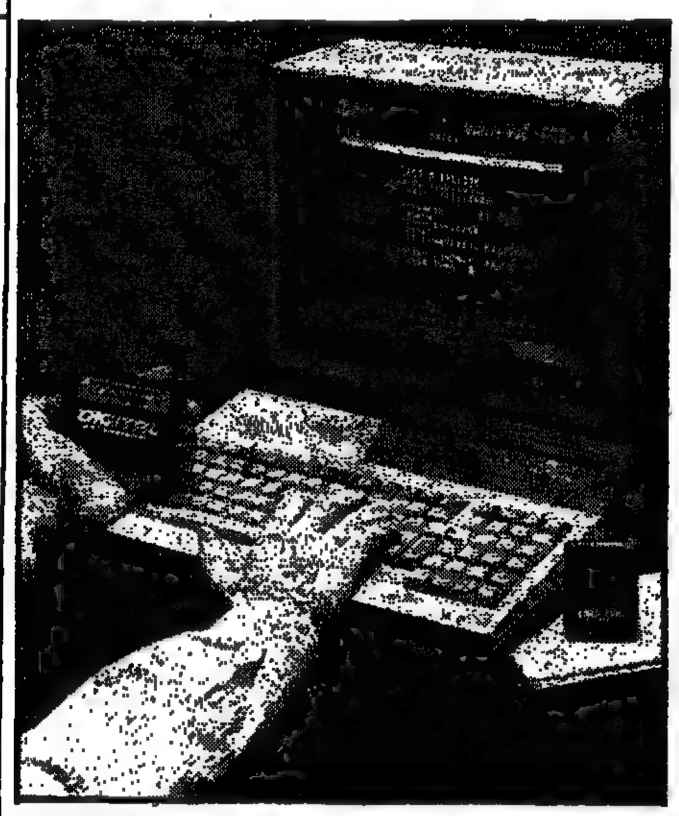
This approach has given it an extremely flexible system, which can be marketed nationally and locally at the same time. It is possible for clients to choose a completely national service, for example, which means that they can be contacted on their pager virtually wherever they are in the country; but at the same time, customers can choose to be linked into a paging system in just one of the 40 zones, or a specified number of adjacent areas.

All of BTMC's present rivals are confined to local areas. None of these competitors has yet committed the funds to a national system, chosing instead to concentrate on specialised niches, such as inter-city paging between large conurbations which can be covered by a small network of urban and motorway base transmission stations.

## New networks

BTMC's success, however, is now attracting imitation. Both Racal Vodafone, which has matched British Telecom blow-for-blow in the cellular telephone market, and Mercury, the competitor to BT in the basic telephone service business, are planning to launch new radiopaging networks within the course of this year.

In addition, a further combination of small local radiopaging companies—Air Call, Digital Paging Systems and Pageboy—may also enter the national market in a consortium organisation.



"Open access"—a value-added extra for subscribers to Digital Mobile Communications' paging service that allows them to access pagers through viewdata facilities.

Air Call, with a market share of about 8 per cent, now has the financial backing of Bell South, one of the US regional telephone operating groups, which has acquired a 40 per cent stake in the British company's communications subsidiary. It says that talks are going on between the consortium partners with a view to launching a national system in 1988.

The attraction for this headlong development is two-fold. First of all, the indications are that the market has strong growth prospects. Although paging has not been marketed very heavily in the UK, partly because of the lack of national competition to BTMC, it has been growing at between 20 per cent and 30 per cent a year to a total of around £90m in operating revenues.

Companies believe that sales could be stimulated further, to bring penetration levels closer to international levels, by stronger promotion and advertising.

"In many ways this market is still virgin territory in this country," says Mr Daniel Nabarro, chairman of the five-year-old Inter-City Paging, one of the smaller independent companies which specialises in the London area market.

Second, the companies that are launching themselves in competition to BTMC have the financial resources and the know-how to provide a genuinely forceful challenge to the market leader if they manage their promotion effectively.

Racal Vodapage, as the new Racal subsidiary will be called, will be backed by the Racal electronics group; and Mercury, a subsidiary of Cable and Wireless, is intending to launch its new services in collaboration with Motorola, the US electronics company which will have a 49 per cent stake in the new concern.

## Estimates

Both these companies have telecommunications networks which can be used to supply the backbone of the radiopaging system. This is particularly true of Racal, which is intending to establish a largely national system as soon as it launches its network, mainly by utilising the transmission lines—the microwave and cable links already established for its nationally-based Vodafone cellular system.

Analysts believe that with the economies of scale flowing from the use of the established telecommunicatons systems of these two companies, they should be able to create viable paging networks—indeed, estimates suggest that a 10 per-cent stake in the market should allow a national organisation to break even at present price levels.

Without their existing telecommunications base, the future of the new companies in the paging business might be more problematical given initial investment costs estimated at around £10m at Racal Vodapage and £4m at Mercury/Motorola.

An additional feature in maintaining the buoyancy of the market has been the steady product innovation in subscriber equipment. Services to customers today go well beyond the traditional receivers which simply bleep when a message is sent through to the user.

Numeric pagers, for example, give the user a telephone number to call on a small display screen; more advanced alphanumeric receivers are capable of delivering a short message in words; the receivers can also be provided with substantial memories, so that the bleep can be switched off for a period, but messages stored and scrolled up onto the screen when convenient.

In addition, users can now be linked into voicebank networks, so that messages can be stored for them on a central system, which can then be accessed by telephone using a personal pin code.

Over the longer term, the industry has ambitious plans for both the paging network and equipment. On the network side, some service providers are examining the possibility of international systems which will allow pagers bought in one country to be used in another.

In Europe, this will require a significant change in public policy because of the wide variation of frequencies employed for transmitting paging messages; explanatory talks have begun on establishing common standards, but an agreement is still a long way off.

In the US, on the other hand, BTMC has recently signed an agreement with Metrocast, a California-based venture capital group, which will link American pager users into the UK system and vice versa. A new frequency-hopping paging device has been developed for the US end of this arrangement, so that it can receive messages on different frequencies within a limited range.

Eventually, paging manufacturers are aiming to reduce the size of their equipment to the size of a wristwatch: indeed, another small US start-up company, AT & E, plans to launch such a device in the US shortly, using semiconductor technology from Plessey, the UK electronics group.

Microchip technology lies at the centre of this process of miniaturisation, and manufacturers are confident that the enormous leaps forward they are making in circuit integration will eventually make wristwatch receivers both technically feasible and cheap. At that stage, it is possible to see paging being turned into something approaching a mass market. Perhaps it may even become glamorous.

**Terry Dodsworth**

Voicebank, the telephone messaging system from British Telecom—no expensive equipment is required, just a telephone and a pocket-sized keypad.

## Japanese market opens at last to US suppliers

# Tough nut to crack

JAPAN'S MOBILE telecommunications market, a small but growing sector, has been pried open at last to foreign competition after a marathon struggle between the US and Japanese governments.

The struggle, however, brought a somewhat muted victory for the US, one which underscores the great difficulties which foreigners continue to face when trying to crack the Japanese market. Nonetheless, the Japanese market's huge potential for growth promises substantial rewards for those with a great deal of patience.

The use of cellular telephones in cars in Japan jumped from 64,000 units in 1985 to 90,000 units last year, giving the market at estimated value of $320m. This year, Nippon Telegraph and Telephone, Japan's former monopoly supplier, says the number of units will reach 125,000. As for the future, forecasts vary from 1m units by 1995 to 4.5m units by 2000.

Despite these rosy forecasts for growth, however, the Japanese authorities have been slow to open up the market to competition. Efforts to crack into this market began more than two years ago by Motorola, a leading manufacturer of cellular telephones in the US. NTT's monopoly on domestic telecommunications.

Although ostensibly ended in April 1985, Motorola found itself first facing technical barriers to selling its goods in Japan.

Lengthy negotiations between the office of the US Trade Representative and the Japanese Government managed to eliminate these barriers early last year. Motorola then found a Japanese partner, Daini Denden, a new Japanese telecommunications company set up to compete with NTT. Daini Denden decided to use Motorola's equipment in its planned attack on the mobile telecommunications market because it was based on an international standard.

Daini Denden then opened consultations with the Ministry for Posts and Telecommunications on seeking a licence to operate in the field. In the meantime, however, a rival consortium, back by Toyota, NEC, and the Japan Public Highway Corporation, arrived on the scene seeking a licence to operate in the same market.

The new consortium, Teleway Japan, had a privileged position from the start. Its big-name backers gave it powerful government connections, which are crucial to doing business in Japan. Daini Denden, by contrast, is backed by a variety of smaller companies, led by Kyocera, a maker of ceramic and electronic components.

In any event, the Ministry decided that the market would be large enough for only one competitor to NTT and indicated that it would only grant one licence.

The two sides stepped up their lobbying efforts, with Daini Denden receiving help from US trade negotiators. The issue became the latest in the long-running series of bitter trade disputes with the US and Japan, with each side trading angry accusations with the other.

Late last year, half-hearted talks on a possible merger opened between the two sides, but did not get anywhere.

Then, on February 5 of this year, the Ministry came up with its equivalent of a Solomon-like decision. It announced that Teleway and Daini Denden would split the Japanese market geographically. Teleway would get the Tokyo metropolitan area, while Daini Denden would handle service in western Japan, covering the Osaka area, Hiroshima and further south.

According to the Ministry, both companies are expected to start providing service in the fall of next year, in competition with NTT. Daini Denden will use the Motorola system, while Teleway will use a new NTT system.

Immediately after the decision, however, the US Government cried foul, claiming that Teleway had creamed off the lucrative capital district and left Daini Denden with the more demanding, underdeveloped regions. It claimed that Teleway was favoured because its NTT system is manufactured by NEC, a backer of Teleway and one of Japan's leading corporations.

It also pointed out that Tokyo is forecast to account for more than 50 per cent of the Japanese mobile 'phone market.

Despite the US dissatisfaction, however, the Japanese have stood firm and Motorola, for its part, is working with its Japanese partner to make the best of the opportunity afforded it.

Japan's outspoken Minister of Posts and Telecommunications, Shunjiro Karasawa went so far as to castigate the US Government for its demands over the mobile telephone market. He claimed that the market had been sufficiently opened to foreigners, pointing out that Motorola is also the second largest shareholder of a radio pager firm which was granted service rights for the Tokyo area last year.

In any event, the shouting will no doubt go on as the two new competitors get ready to attack their mammoth rival. For its part, NTT is not sitting by idly. The company plans to expand its cellular mobile phone network to cover 28 new service areas in this fiscal year.

As a result, a total of 554 cities will be covered by the NTT cellular network by the end of fiscal 1987. NTT plans to provide this mobile service to 36,500 new customers this year, enlarging the market by 40 per cent. The total number of telephone subscribers is expected to exceed 128,000 by the end of fiscal 1987.

At the same time, pocket bell paging service will be expanded to serve eight new areas in fiscal 1987, with all cities in Japan to be included in the service. Although new competitors including Motorola's consortia, will start providing radio paging service in October, NTT plans to have more than 2.8m pocket-bell customers by the end of fiscal 1987. NTT is increasing spending on pocket-bell from Y5bn to Y9bn.

Indeed, there does seem to be room for allcomers. Despite the Japanese love of gadgets, in mobile telephones, for example, Japan's current penetration of possible users is 0.78 per cent, which is about a third of the UK penetration.

**Carla Rapoport, Tokyo**

Communications from restaurant table to office desk via Panasonic's slimline hand-portable C-series cellphone.

## Scandinavian suppliers

# Leading place in world market

SCANDINAVIA has established a leading position in the world market for mobile telephony. The region's two main telecommunications and electronics groups, Ericsson of Sweden and Finland's Nokia, are important suppliers of both systems and terminals, while the Nordic mobile telephone network (NMT) formed by the telephone administrations in the Nordic countries in 1981 is acknowledged as a standard for the world.

The NMT is the largest mobile telephone network in the world with more than 310,000 subscribers.

The penetration of cellular radio in the Nordic region still puts the four countries of Sweden, Norway, Finland and Denmark in a league of their own, despite the rapid growth now being shown in some other markets.

By the end of last year Sweden could already boast more than 99,500 subscribers; Norway, 80,400; Denmark, 54,200; and Finland, 44,400. This gave Sweden a penetration level of 11.85 per thousand of the population and Norway 19.14, compared with only 1.73 for the UK, the nearest challenger outside Scandinavia, and a mere 0.20 per thousand penetration in West Germany.

The NMT has been the world's fastest growing system with a growth rate of up to 50 per cent a year, and such has been the demand that lack of capacity has been a major problem. NMT, which was joined by Iceland in 1985, has already surpassed the subscriber level that was originally forecast for 1955.

In Sweden, the NMT has been forced to resort to extensive cell-splitting in order to keep pace with demand, but the capacity problem should be eased gradually as the new 900 megahertz frequency comes into use in addition to the existing 450 megahertz frequency.

The 900 megahertz frequency is also bringing an improvement in reception, which has been subject to fluctuations especially when the receiver is near the edge of the base station range.

A new generation of mobile telephones has been developed for the NMT 900 system. The new technology, based on surface mounting techniques, has made it possible to design a hand-held mobile telephone that is no larger than a conventional telephone receiver.

The NMT system includes high value-added options such as secretarial services to forward calls, book hotel reservations and take messages.

Ericsson, the Swedish telecommunications and electronics group, has concentrated its efforts on the supply of switching systems based on its axe system, which is also one of the world's leading digital public switches.

It claims that it is the world's leading systems manufacturer with 45 per cent of the world market. Despite problems elsewhere in the group, most notably in information systems, Ericsson's mobile telephone operations have continued to show "solid profitability."

Deliveries of base stations in the nordic market increased by 50 per cent last year.

Ericsson is the main supplier of the NMT 900 switching system, and has benefited accordingly from the second stage of expansion for the network which is under way with the introduction of NMT 900 in several larger cities in the region.

Mobile telephony including both systems and terminals accounts for some 65 per cent of Ericsson's radio communications business area, which had sales last year in total of SKr 2.68bn. This amounted to some 8.5 per cent of total group sales of some SKr 31.6bn. The area had an operating income of SKr 254m and received new order bookings of SKr 2.36bn.

The presence in mobile telephony of Nokia, the Finnish conglomerate with widespread operations ranging from paper, rubber chemicals and machinery to electronics, is represented by its Nokia-Mobira division, which is the spearhead of its electronics operations.

Apart from in the Nordic countries Mobira has been very successful in the UK, Austria and Malaysia, and last year it won a Fmk 53m contract to supply a mobile telephone network to Turkey.

Nokia-Mobira's sales grew by 35 per cent last year to Fmk 847m and the division had a workforce of some 2,015.

In a fragmented world cellular phone market, with seven different standards, Mobira has sought to maintain maximum flexibility in its production systems, allowing it to produce profitability, even in relatively short production runs for the different world systems.

According to Mobira, North America's Amps System is the largest market area and represented some 56 per cent of global demand last year, with the several variants of the NMT system accounting for around 20 per cent, Tacs for about 14 per cent and other national systems for 10 per cent.

Mobira claims to be the largest manufacturer of NMT mobile phones with about a quarter of the market. Its principal markets are Scandinavia, Benelux, Switzerland, Austria, Turkey, Malaysia and Thailand.

A separate US unit designs, manufactures, and markets mobile phones suiting the North American and Amps-based systems, and Nokia is facing a major challenge to become a force in the all-important US market. As part of its drive into the US it has formed a joint manufacturing venture in South Korea with the US Tandy Corporation. The products of this joint venture are designed for the American market and are distributed through the Radio Shack sales organisation.

According to an analysis prepared by Kansallis-Osake-Pankki, the Finnish Bank, Nokia-Mobira has a share of around 30 per cent of the Nordic market, 25 per cent of the European market and 16 per cent of the world market.

**Kevin Done**
**Stockholm**

Selling well in the UK: the Finnish-made Nokia-Mobira "Cityman" hand-portable cellular telephone.

## Bright prospects for UK cellular market in the next decade

# Aiming for 500,000 users

FOR THE first few months of this year, the British cellular market was in danger of becoming boring. True, subscribers were continuing to sign up for cellular at a spectacular rate. There are now almost 150,000 users of a service which did not exist in the UK before 1985.

But the cellular boom was last year's news. Moreover, although there was still no love lost between the two network operators, Cellnet and Vodafone, the competition between them was falling into a pattern: their tariffs and their coverage areas were now so similar that it was difficult to judge which had the edge.

Cellular was on the way to becoming, if not exactly a mature, then at least a predictable market. But in March, a new dispute between Cellnet and Vodafone destroyed this calm and re-kindled the old need between the two operators.

Vodafone applied for the temporary release of some frequencies which the Government had set aside for the proposed pan-European digital cellular network. Cellnet reacted to this with fury and complained to the Office of Telecommunications, the industry's regulatory body.

Cellnet argued that Vodafone was trying to gain an unfair advantage by avoiding further investment to raise capacity in its network, a claim which Vodafone vigorously denies.

To people outside the cellular world, this might seem an esoteric dispute. Yet it went to the heart of the central issue facing the industry: how to manage growth rates which had outstripped almost everyone's expectation.

The industry expects that growth to continue. Vodafone, with 79,000 subscribers, is banking on another 45,000 by the end of March 1988. Cellnet, with about 70,000 subscribers, says it is expecting another 55,000 in a year's time.

Both are still counting on 500,000 subscribers in the UK, roughly equally shared between Cellnet and Vodafone, by the end of 1990.

"We're making sure we have the capacity to provide for 300,000," says Mr Colin Davis, Cellnet managing director.

Despite the boom in cellular use in the UK, there still appears to be plenty of room for growth. In Britain, even now, there are still only 2.6 subscribers per 1,000 population.

Cellnet believes there are still many more subscribers to be won from the groups who took to cellular in the first place—small businessmen, professionals, senior managers and people who spend a lot of time on the road, such as salesmen.

"Our customer base really hasn't really changed that much. It's still the same sort of people," explains Peter Waller, Cellnet marketing director.

Mr Waller says that the major accounts, the big companies, are still not buying in large quantities: the 50+ order is now quite common, and the 100+ not unknown, but the 500+ order still has not happened.

In the medium term, the expectation is that large companies will be more important in fuelling the continued growth of cellular. Mr Julian Horn-Smith, Vodafone's marketing director, says the ratio of customers is 70:30 in favour of small businesses now, but he expects that to swing to 20:80 by the end of the decade.

Both network operators are planning substantial new investment to provide for this growth. Cellnet has spent £90m so far, is committed to spending another £43m by August and is planning to invest a further £68m by next autumn. Vodafone had spent £90m by the end of March and is planning to spend another £30m by the end of next March.

Both are beginning to make money. Vodafone's operating profits are forecast to be about £10m this financial year, followed by £34m and £57m in the next two financial years. Cellnet has been making operating profits since autumn 1986. Both operators also say they have no plans to raise tariffs in the financial year ending in March.

Later this year, some of the attention may switch from the cellular networks to other forms of mobile communications in the UK. Two national licence holders and several regional licence holders are planning to start up new private mobile radio services in a wedge of frequency known as Band III. Greater competition is likely in paging over the next year, with at least two companies planning to launch new national paging services.

The cellular operators are relaxed about these developments, believing that they will gain from any stimulus to the general mobile communications market. Of Band III, the new service most likely to draw custom from cellular, Mr Horn-Smith says: "It will mean more hype and more public awareness of mobile communications."

Referring to the plan for there to be limited interconnection between Band III and the public telephone network, Mr Davis at Cellnet argues: "Interconnection will help us, because people will soon get tired of the 'Over to you and out' rigmarole they'll need to go through on Band III and decide they need cellular instead."

Less certain perhaps is what lies in store for the cellular retailing and billing companies — the link between the customer and the cellular networks.

There have long been predictions of a general shake-out in this part of the business where a large number of companies are operating to generally tight margins. However, although there has been some movement in this sector, with some companies dropping out or being acquired, there is no sign of a big reduction in the number of players.

"If a service provider is acquired, there is no shortage of people wanting to take his place," contends Mr Horn-Smith of Vodafone.

Over at Cellnet, Mr Waller agrees, but he believes that the industry needs an approved maintenance and installation scheme so that customers can be assured about the quality of the service they can expect. Cellnet is in touch with the Department of Trade and Industry about this idea, but believes that the industry may have to sort out its own arrangements without official blessing.

**David Thomas**

Los Angeles Times photographer, Bernie Boston uses his cellular telephone in Washington to check for messages from his office.

## The US market

# Advancing rapidly

THE US cellular mobile phone market is gathering momentum with over 2.6m cellular phones expected to be in use by the end of this decade. Most of the 90 largest cities in the US are already served by at least one cellular system and mobile communications are quickly becoming an integral part of the phone system.

The US market for cellular mobile radio (CMR) equipment and services will grow to almost $5bn in 1990, from just $802m in 1985, according to Dataquest, the US market research company. "The frantic pace in new systems construction will diminish as initial installations in the largest cities are completed," suggests Victor Krueger, Dataquest vice priesident. "But we expect to see continued healthy growth."

The introduction of cellular mobile phone systems in the US was delayed for almost a decade by regulatory wrangles. This was partly because the new communications technology was developed during a period in which deregulation of the US phone system was being investigated.

Now the major issues of deregulation are settled and cellular phone systems are being installed throughout the major US metropolitan areas at a rapid rate. However, the industry continues to be strongly affected by regulatory decisions, especially the speed at which the Federal Communications Commission awards franchises for new systems.

The first US cellular phone system was constructed on a trial basis, in Chicago in 1983, but the first licences for commercial cellular systems were not awarded until 1984. Since then about 150 cellular systems have been built and dozens more are under construction.

In keeping with the new competitive environment for US telecommunications, the FCC decreed, in 1982, that each of the major markets for cellular phone systems should be divided between two operators, one to be a regional phone company and the second a non-phone company.

Since it was overwhelmed by the number of companies applying for licences to operate cellular phone systems, the FCC encouraged contenders to form partnerships and apply jointly for new franchises and introduced a controversial lottery system to select new operators.

The resulting confusion of partial ownerships of operations in distant parts of the country has been rationalised to some extent by a series of acquisitions, sales and swops under which phone companies and other cellular operators have exchanged their interests. This process is expected to continue, according to US industry analysts, who anticipate the emergence of a relatively small number of major US cellular phone companies over the next few years.

A significant trend has been set by regional telephone companies, including Pacific Telesis, Bellsouth and US West which have each acquired non-phone cellular operators to expand their systems. In the largest such acquisition, Southwestern Bell paid $1.2bn to acquire most of Metromedia's cellular telephone and paging operations.

The US market for cellular mobile radio (CMR) base station equipment will grow to $903m in 1990 from $370m in 1985, Dataquest's Mr Krueger projects. AT&T has supplied the largest portion of the CMR base station equipment used by the regional phone companies, while Motorola supplies GTE Mobilnet and many of the non-phone companies.

The major investments in cellular equipment made in the US over the past few years make it unlikely that the US will switch in the foreseeable future to the alternative digital cellular system currently under discussion in Europe.

US sales of cellular radio telephones are projected to total $420m in 1990, up from $176m in 1985. Dataquest is however predicting a significant decline in CMR telephone prices as sales volume increases and competition intensifies.

"This is a mass market that is well suited to Japanese, Taiwanese and Korean manufacturers," notes Mr Krueger. He anticipates prices falling from a current average of around $750 to about $500 over the next three years. "At that price the CMR telephone becomes an item that individuals will buy for personal use," he suggests. Currently, most CMR phones are used for business purposes.

The cost of using a CMR phone in the US is still relatively high. Users pay for both incoming and outgoing calls at rates ranging from 22 to 45 cents per minute and there are additional rental and installation fees.

Dataquest estimates that US CMR service revenues will grow to $3.6bn in 1990, a massive increase from revenues of $256m in 1985. The profitability of cellular operators is more difficult to project since most are subsidiaries of phone companies, that do not publish separate profit and loss information, or privately held partnerships. The high capital investments and marketing costs required to establish cellular phone operations could mean that only the largest systems will quickly become profitable.

Despite being a collection of independent cellular phone services, the US cellular system is compatible throughout the country even if the industry is only slowly coming to terms with how to handle "roaming" users who want to use their mobile phones outside their home area. Analysts expect this issue will be resolved by intercarrier agreements.

**Louise Kehoe**

## Private mobile radio

# Biggest boost in years

PRIVATE MOBILE RADIO, the mobile communications system which has been in use in the UK for more than three decades, will shortly receive its biggest boost for years.

PMR is the communications system which guides vehicles of the police, utilities like gas and electricity, taxi drivers and motoring organisations. It differs from cellular radio by operating in closed user-groups — for example, the gas repair fleet talking to base — and the messages are short, often intructions.

The service is widely used, with about 400,000 licensed PMR units in the UK at present, but it has an unglamorous, sleepy image, partly because its development has been held back by a shortage of frequencies. All this is set to change by the Government's decision to make over to PMR a wedge of spectrum, known as Band III, previously used for black-and-white television.

Two national licences, each with 100 channels attached, have been awarded: one to GEC Telecommunications and the other to a consortium led by Pye, the Philips subsidiary, which is calling itself Band Three Radio. In addition, there are to be 10 new regional licence-holders too.

By freeing the Band III spectrum, the Government hopes to stimulate relatively cheap national PMR coverage of good quality. Users will not have to invest in their own base station equipment, as large PMR users do under present arrangements.

Moreover, quality should be better, particularly for users too small to have their own dedicated systems. These are most at a disadvantage from today's congested frequencies.

The two national licence holders are putting the finishing touches to their launch plans. Band Three Radio is planning to invest about £20m in its network, including on base stations and exchanges, over the next trhee years. GEC would not be drawn on its investment plans, but it is understood to be investing at the rate of about £10m a year.

Both say they will be ready to sign up their first customers in August. How Band III develops after then will depend on several factors.

● **Rollout.** Both national groups are planning to launch their services in London, but the development of their national coverage may differ after that.

Band Three Radio says it will start its non-London service by putting single base stations in large provincial cities such as Bristol and Birmingham. This will create a number of localised services, which will then gradually spread out to form first a group of regional services and then, eventually, a full national service.

This is different from the pattern of cellular growth, which has been more like a continuously spreading ink blot. Indeed, Mr Andrew Robb, managing director of Band Three Radio, describes it as "the mirror image of cellular."

Mr Robb expects about 20 per cent of his customers to use his national service, 30-40 per cent the regional service, with the balance local, though these percentages will change as his network grows.

GEC is more reticent about its plans, other than to hint that the Midlands is likely to be its immediate focus after London. GEC says it will watch the opposition and concentrate on those areas of the country where the new service looks likely to prove most popular.

Both groups are confident they can easily better the licence condition of covering 80 per cent of the population by 1991. Band Three Radio says it hopes for 60 per cent coverage by March 1988.

● **Prices.** Band Three Radio says its customers will need to buy, lease or rent the equipment and will then pay an initial connection charge, followed by monthly subscription charges.

This differs from cellular in that there will be no separate call charge.

Mr Robb says he expects the average charge to one of his customers for his fully national service will be about 60 per cent of the average charge for cellular radio. However, he will also be offering a discount for customers who want to use only a local or regional service. GEC did not want to discuss its pricing plans.

● **Services:** GEC believes that many of its customers will use Band III largely for data. "This is a pure business service and talking will be largely a waste of time for many of our customers," it says.

GEC envisages service workers being able to send the details of a job done via Band III to their office, which will then send back an instant invoice over Band III, saving several days' delay and lots of paperwork in the office.

On one issue, however, both Band Three Radio and GEC agree. There will be little interconnection between Band III and the public telephone network, though this will be possible with Band III. More extensive interconnection could clog up the Band III channels.

Mr Robb explains that calls over Band III will be about 20 seconds on average, compared with the 120-180 seconds over cellular.

PLANNERS at work on the GEC National One mobile Radio network in Band III. The GEC network allows permitted users to communicate as they roam within the total coverage area of some 90 trunked common radio base stations in the UK.

Network users communicate directly or indirectly with the stations which are interconnected via digital voice and data infrastructure, using leased lines. The new trunked mobile radio systems have been assigned to the old black and white TV broadcasting frequency band (which ceased transmission early in 1985).

"We are looking at a different marketplace," Mr Robb says.

Even so, it remains uncertain whether there will be some diversion of cellular customers to Band III.

GEC reckons that about a third of present cellular customers would have chosen Band III if the service had existed when they decided to get involved in mobile communications. But this is not to say that the same number will move from cellular to Band III, because many cellular users will have got used to the service.

Mr Robb says: "The two cellular networks have some Band III subscribers on temporary loan, but we are not going out actively to look for cellular subscribers."

The bulk of Band III's customers are likely to come from groups like freight operators, field forces, maintenance workers and domestic appliance companies, whereas most cellular users at present are small businessmen, professionals, senior executives and people often on the road, such as salesmen.

Both Band Three Radio and GEC are confident there is enough untapped demand for their channels, which can each sustain about 50,000-60,000 users, depending on the geographical pattern of demand, and the breakdown between data and voice traffic.

Indeed, GEC can see congestion arising on the Band III channels, just as it has on cellular, leading to a fairly early call on the Government to release more channels to Band III.

"After all, Band III should be more popular than cellular," GEC predicts.

**David Thomas**

## West Germany

# Demand is booming

UNTIL LAST YEAR, West German managers wanting a mobile telephone for their Mercedes could only get a "busy" signal.

But since the introduction of its "C-Network" last August, the Deutsche Bundespost has more than 24,000 subscribers and the demand for mobile phones is booming. The older "B-Network" system, introduced in 1971, hit its 27,000 subscribers ceiling years ago and had to refuse new applicants.

Four mobile telephone manufacturers—Siemens, AEG, Storno and PKI—have the necessary Bundespost registration required to sell the C-Network mobile telephones here.

"The registration is to ensure they meet Bundespost standards, so that the apparatus doesn't interfere with other transmitters or receivers," explains Günter Bruchmüller, spokesman for the Bundespost. He adds that other manufacturers could also sell mobile phones in West Germany "... once they get the necessary registration number."

Siemens supplied most of the base stations for the new system plus the three telephone switches in Munich, Frankfurt and Düsseldorf.

While the Bundespost is talking about 100,000 subscribers for its new C-Netz, Siemens thinks this could easily expand to 400,000 to 500,000 users before the planned digital "D-Network" is introduced in 1991. But such demand would also require more base stations and more telephone switches, said Siemens spokesman Peter Olfs.

West Germany is still an under-developed country when it comes to mobile telephones. The total 52,000 users represents less than 15 per cent of the mobile telephones already installed in Scandinavia, for example.

At first the Bundespost wanted to develop a better, more technically advanced system than the Nordic Mobile Telephone (NMT) standard common to Denmark, Norway, Sweden and Finland. But its new system resulted in long delays, admitted Bundespost official Josef Kedaj.

"We could have had the NMT standard," says Kedaj, director of the Bundespost's public mobile communications section. "But since it was introduced in 1976, new things had developed, so the decision was made to try for something better. The development time took too long. We should have had this (C-Network) system by 1983."

Now the Bundespost claims its C-Netz, while three years behind schedule, is the most modern and technically advanced of all Europe's mobile telephone systems. But with Europe's national postal officials unable to agree on a single standard, the new system is suitable only within West Germany.

The older B-Network, which requires a caller to know approximately where the car is in order to dial the local area code number, does offer one major advantage. Such older mobile phones can also be used in Austria, Holland and Luxembourg in addition to Germany. Subscribers to both networks pay the same DM 120 (£42.85) standard monthly fee, plus call charges.

When the D-Network, based on digital switches, goes into use here sometime in 1991, it should be completely compatible with mobile communications systems in Britain and France, said Bundespost official Kedaj. To ensure such Pan-European integration, officials here are working with multinational consortia to develop both narrow-band and wide-band systems.

France and West Germany conducted trial radio transmissions last year of both narrow-band and wide-band networks, sad Kedaj. The consortium testing narrow-band mobile phones included GED from Britain, SAT from France, Teletra from Italy and ANT/Bosch from West Germany. Wide band tests were made with equipment from SEL/AEG, Acatel-Thompson and Italtel. Furthermore, West Germany's PKI offered a hybrid mobile system with a narrow and wide-band mixture.

Last year's tests of the digital systems included base stations and mobile phones from the consortia. One obvious drawback to the new D-network, said Kedaj, is the relatively short 15 kilometre (9 miles) radius covered by each base station. The high 900 MHz frequency reserved for the new network makes this necessary.

"For a narrow-band network we'll need 600 base stations. A wide-band network would require about 20 per cent more," says Kadaj. The high frequency, short radius means the D-Network needs twice as many base stations as today's 450 MHz system.

Siemens and Ericsson are also working together to develop a "new generation" mobile telephone which would tie Scandinavia into the European system. Using the same D-Network, both companies are co-operating in the research and development of the new narrow-band systems.

Ericsson claims to have 45 per cent of the world's mobile phone subscribers. Siemens says it already has a 60 per cent market share here for new C-Network users.

The planned coming of the D-Network, promising a European-wide system, casts a shadow over the introduction of West Germany's C-Network. While the initial rush to meet pent-up demand continues, the Bundespost has only committed itself to maintain the C-Network up to the end of 1992. They hope the new system will attract a maximum of 100,000 subscribers, said spokesman Bruchmüller.

"It may end then once the D-Network is operating. And then (subscribers) will need a new phone," points out Bruchmüller.

Priced at DM 10,200 each, the C-Network mobile phones (plus another DM 500 for installation and DM 70 for an antenna) are not cheap. Some managers may be reluctant to invest the DM 10,770 (£3,850) for a mobile phone which promises to be obsolete in less than five years.

But at the moment the Bundespost predicts continuing growth for its C-Network, and dealers report business is doing very well.

**Dennis Phillips, Bonn**

Value-added services

# Key weapon in sales battle

WHEN CELLULAR operators Cellnet and Racal Vodafone restart their promotional battle for subscribers later this year, their main weapon will be value-added services.

Such services range from recorded restaurant information to computer links and automatic radiopaging.

The point is twofold. They can generate more cash through extra calls, and they can be used as marketing tools.

Older selling points are losing their effectiveness. Geographical coverage is one. Some parts of the country are still served by only one or other operator, but those areas are shrinking. Vodafone now covers 85 per cent of the population while Cellnet says it will hit the 90 per cent market in July.

Both have a legal obligation to reach 90 per cent by 1990. The fact that they are three years early indicates their sensitivity to what perceived differences could do to market share.

Value-added services will take on more importance through 1987 because there is now little difference between the operators on how well they carry ordinary telephone calls.

They will also help against competition from a national private radio network called Band III due to start up in August. Band III will only offer basic voice links.

"The ideal value-added service is one that makes the subscriber make as many extra calls as possible," says Cellnet managing director, Peter Waller.

Communications on the farm: calls being made on a Jade transportable Cellphone, using the Cellnet system. The phone includes a 50-number memory system, with facilities for call diversion and transfer, in or out of the car.

This is the rationale behind the Cellnet's next bolt-on service, to be launched in June. It links the phone into British Telecom's centralised answering machine, called Voicebank, and to a radiopager.

Before you leave your carphone, you divert all incoming calls to Voicebank. If someone calls, they leave a message and you get bleeped.

"It increases the number of calls a subscriber makes from zero to three," says Mr Waller. "First, the diverted call, second the call to listen to the message left on Voicebank, and third the return call to the person who left the message."

The result will be a 10-12 per cent increase in revenue per subscriber, says Waller. He predicts that 40 per cent of subscribers will have the pager within two years.

Vodafone's equivalent has been around for nearly two years, although many subscribers use it, without a pager, as a mobile answering machine.

"It is used by nearly 10 per cent of our subscribers," says Vodafone marketing director Mr Julian Horn-Smith. "And it generates 5-10 per cent extra call revenue."

Currently, users have to provide their own pagers if they want one. This will change later this year when Racal launches its own national paging network as part of a new level of deregulation in radiopaging. The operating company, Vodapage, was launched on April 1.

Racal has another subsidiary, Vodata, which sells a £700 modem so that computers can be attached to cellular telephones. It has been on call for over a year, but take-up has been slow with only 400 sold so far.

Nevertheless, the company is optimistic—"We will sell 2,000 in the next 12 months," says Vodata director Mr David Channing-Williams. Several companies are running pilot projects using the modems and if they take up their options they will be buying in bulk.

Data transmission is a service that appeals almost exclusively to organisations with fleets of on-the-road sales staff or engineers.

"Data is a key selling incentive to the corporate market," says Channing-Williams.

The Racal modem works on Cellnet—and Mr Channing-Williams admits that some of the 400 units sold are plugged into his competitor's network. An independent London company, Transam, has sold about 500 units of a £375 basic cellular modem to both Cellnet and Vodafone subscribers.

Vodata says it will turn over £3m in the current financial year.

One area where Vodafone has made inroads at the expense of Cellnet is in metered telephones. They are aimed at hire companies and the transport sector. The current television commercial for Hertz car rental mentions optional cellular telephone rental. It is Vodafone's meterfone.

Between 2 per cent and 3 per cent of Vodafone's 79,000 subscribers use metered telephones. Mr Channing-Williams hopes this will reach 10 per cent "within three to four years."

Taxis look promising—Capital Taxiphones plc, backed by venture capitalists Alan Patricof, plans to have 1,000 taxiphones installed in London within 12 months. The current trial of 55 phones is coming to an end and the 1,000 telephone plan will be announced during May.

Vodata is hoping that one third of the 12,000 London cabs will have 'phones installed within three years. This is despite the fact that calls, at £1 a minute, are three times the price of those from an ordinary cellular telephone.

Cellnet is much more involved in sponsorship than Vodafone, and that is creating extra services too. The company is behind the Egon Ronay restaurant guide which will be linked into a general motoring information service. Drivers call an operator to obtain the address of nearby restaurants. If that facility is successful, a booking service is next on the menu.

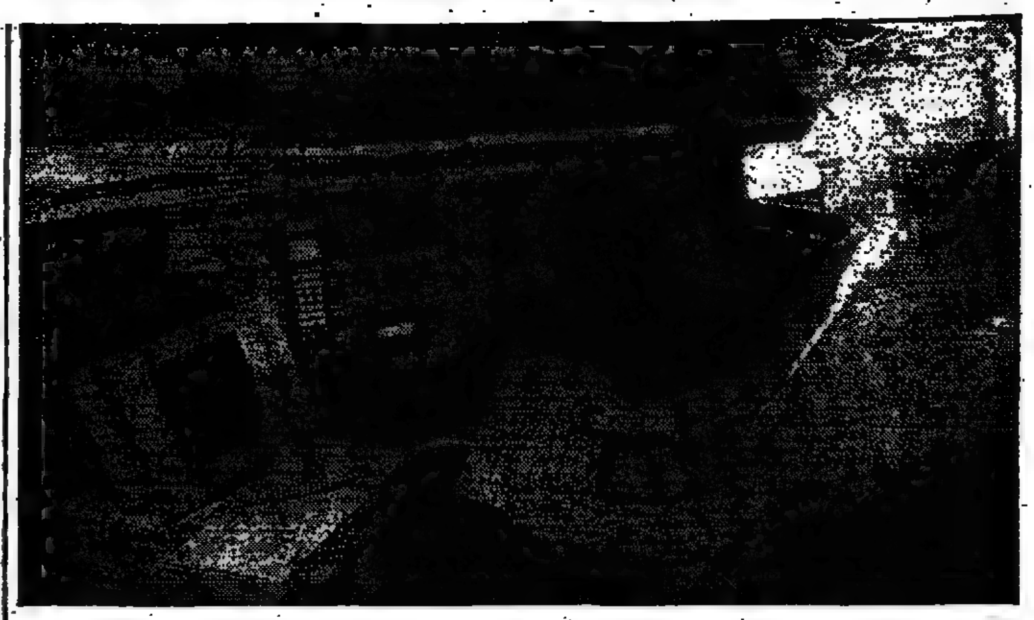
Cellnet ran a trial of similar services earlier this year it clocked 0.1% of the 1.5m calls a month to the information operator. That was enough to persuade it to launch the fully fledged version later this year.

Value added services are now being used for radio pagers too. They address niche markets in the City of London and hinge on the use of pagers that display words and numbers on a one-line screen. These alphanumeric pagers can be sent regular updates on key equity prices or exchange rates.

The UK is a relatively underdeveloped radiopaging market however. Hong Kong, for example, has ten times as many pagers per head despite cheaper local telephone calls in the colony.

Forecasters like to bandy about a figure of a million pagers in the UK by 1990. The current figure is around 400,0000 of which BT has sold or rented 80%.

**Danny Green**



The Ericsson linkage system (left) from Sweden connects a portable personal computer with other computer systems via an in-car cellular telephone. Above: the Ericsson compact car telephone, model PT800.

Equipment

# Foreign suppliers dominate

THE UK cellular mobile telephone industry has surprised the world by the speed with which it has established itself. But it is extremely unlikely that it could have grown as fast as it has if it had been forced to rely entirely on its own technological resources.

The industry has been able to expand rapidly because it has not had to design and develop its own hardware: instead, it has concentrated on logistics, setting up the networks and organising the structure of its services, but buying most of its equipment in from outside.

This pattern of growth illustrates a common experience with the process of deregulation in both the US and Britain.

Although the Governments in both of these countries supported liberalisation on the grounds that it would foster competition and a stronger industry, the initial impact has been to the detriment of the local manufacturing industry.

Foreign competitors saw the opportunity of a new market opening up and rushed in to fill the gap. In the cellular industry, the overseas companies had an additional head start in the UK because they were already geared up with products they had launched and tested elsewhere.

As a result foreigners dominate the British equipment market in terms of both the basic network apparatus and the cellular telephone handsets. Most of these products come from the US, Scandinavia or Japan. The first two are markets which have deregulated and already have substantial cellular mobile telephone industries.

Japan, on the other hand, has romped into the world league through the opportunistic ability of its manufacturers to seize any opening rapidly with new equipment: by the time the UK market began to open up, the Japanese telecommunications companies had already gained valuable experience in the US.

On the network side, the equipment consists of switches, antennas for receiving messages, transmission devices and computers for controlling the system. Base stations and transmission cells containing this apparatus are not large, but they are numerous—Racal Vodafone, for example, has 252 base stations servicing 455 cells spread all over the country.

Growth so far has been of two kinds: geographical to extend the range of the system to virtually every corner of the country (more than 80 per cent is covered at present); and steady increases in the density of signalling from the base stations, with extra switches being added to existing cells, or new cells created, as the amount of traffic grows.

Virtually all the basic technology for setting up this coverage has come from just two overseas groups—Ericsson of Sweden, which claims to have the lion's share of the world market in this field, and which has supplied the Racal Vodafone network; and Motorola of the US, which has established the rival Cellnet system.

Total orders so far in this area probably amount to around £200m, split roughly between the two networks—although Cellnet is believed to have invested the most heavily—and so far there are no signs of the order pattern slowing down.

Cellnet, for example, is in the middle of an investment programme aimed at splitting its London cells into smaller units, and intends to spend a further £30m up to the middle of this year. It is then planning a further £60m expansion over the following 18 months.

Racal says it has plans for an additional £30m of spending in the current financial year to next March—figures which according to City estimates roughly put Cellnet expenditure per subscriber at £1,200 compared to Racal Vodafone's £900.

The market for handset equipment is more widespread and more cut-throat, with a large number of manufacturers fighting for orders. Motorola is again prominent—indeed some estimates suggest that it is the current market leader with between 20 per cent and 25 per cent of total sales—closely matched by NEC of Japan with about the same share.

Other producers include National Panasonic, the Japanese company, which has concentrated on an up-market range of products; Nokia Mobira of Finland, another specialist in high-quality products, and Novatel, a Canadian-based producer.

In some respects, the handset market reflects conditions in the consumer electronics industry, where manufacturers stay ahead through constant innovation, often based on their strength in chip technology—both Motorola and NEC, for example, measure among the leading companies in the world, and are specialists in telecommunications chips.

Innovation has led inexorably to smaller sets and increasing sophistication; and it is also producing improved safety features, reducing the need for drivers to touch the handset. The latest Cellnet product, Topaz, for example, works with a microphone and has a memory that can be programmed to recognise spoken numbers.

Although there have been some criticisms in the industry about the efficiency of this device, which is manufactured by Dancall of Denmark, it has been designed to allow a driver to use the telephone without picking up the receiver at all, as long as he has programmed the required number into the telephone memory.

Up to now, there are no official estimates of the impact of this flood of orders for foreign equipment on the UK trade balance. Rough estimates suggest that sales of new handsets are running at about £100m a year, with a further £10m a year for installation.

The current installed base in handsets probably amounts to around £180, compared to the £200m or so invested so far in network apparatus. The majority of this equipment is imported, but the picture is confused by some local manufacturing from imported parts.

On the network side, for example, Motorola employs about 100 people at its Basingstoke facility in the UK, but the majority of its base station and switching equipment is imported from the US. Ericsson imports its hardware directly from Sweden, although it has a software development branch in the UK in Brighton.

Motorola also assembles its handsets in the UK, at its plant at Stotfold in Hertfordshire, although it imports many of the components; NEC imports its equipment, but has plans to invest in the UK at a new plant at Telford in the Midlands.

Can the UK equipment manufacturers turn the tide against the importers?

The answer seems to be that very few British producers have great ambitions to take on the producers of the present generation of cellular equipment, which is based upon analogue devices which will soon be outdated.

This low key approach to UK manufacturing may change, however, with the next generation of equipment — the all-digital, pan-European network which is being planned to establish a system on which a mobile telephone bought anywhere in the region would work equally well elsewhere.

European governments have been trying to organise the system so that its introduction will not come as a surprise to the local industry. A number of companies are working together on research projects to prepare themselves for the introduction, and moving towards joint manufacturing agreements: Plessey and Racal, two of the leading UK electronics groups, for example, are currently discussing plans for a co-operative venture.

If these negotiations succeed, the industry in Europe believes that it could gain a lead over US and Japanese rivals of up to a year in launching its new products. That may be an over-hopeful estimate — but at least this time round, European manufacturers are not walking blindly into the future and losing out on a vast growth market because of a failure to plan for future demand.

**Terry Dodsworth, Industrial Editor**



Marketing

# Small businesses are big users

HIGH ON Ely Cathedral a flagpole sways in the wind. Unexceptional, and deliberately so, because it is a camouflaged cellular radio mast owned by Cellnet.

The disguise is there to forestall environmental objections. It is necessary because efficient sites to serve the 140,000 users of cellular in the UK are hard to come by.

The task will not get easier. Cellnet and Vodafone expect to take on at least 100,000 more customers in the next 12 month.

The bare numbers hide wide regional and occupational variations. Over 40 per cent of subscribers to Cellnet and Racal Vodafone are inside the M25 motorway ring; less than 15 per cent work in the manufacturing sector.

The London bias is changing slowly. Manchester and Bristol lead the chase on the Cellnet and Vodafone networks respectively. Both operators say that the West Midlands is growing fast too.

This uneven distribution causes problems. Until now the London area has been overcrowded. Demand was so high that the networks could not cope with peak demand. Apart from lost calls and engaged radio channels, there were rumours of service shutting down for minutes and even hours at a time.

As a result, the operators have soft-pedalled on publicity for more than a year. They have had their hands full keeping up with growth fluttering around the 100 per cent mark.

Over the past few months, a combination of adding extra transmitters and improving the way in which radio frequencies are reused in nearby areas has given the operators new confidence that they can cope with the demand.

But their planned re-entry into serious marketing of their services later this year will be complicated by competition from expanded national radiopaging, and the launch of a national private mobile radio (minicab style) service called Band III. It is not clear which types of users will buy which type of service.

In common with cellular networks in the US and Scandinavia, most buyers in the UK have been from smaller businesses. Cellnet surveyed its subscribers earlier this year and found that two-thirds worked in organisations with fewer than 50 employees.

Portability of phones has spelt success for Motorola and Excell in a fast-changing marketplace.

To expand this base, both Cellnet and Vodafone launched discount schemes for large users last year. But these "private wire" services have not taken off, partly because of technical restrictions. Users need over 100 telephones operating out of a single site for it to be economical.

The operators also point out that large organisations take a long time to make up their minds on such large capital commitments.

They are less keen to admit that some large organisations are waiting to see exactly what will be offered on Band III and how much it costs. The technical specification of Band III has not been finalised, but it is likely to make the service attractive to companies with fleets of on-the-road sales staff and engineers.

Cellular suffers in comparison because costs are difficult to predict and control. Band III, in common with radiopaging, will be paid for by subscription. Call destinations will be limited, perhaps to the parent company offices alone.

The cellular operators look on the bright side. "The whole of mobile communications will get more publicity, and that's going to help us," says Cellnet marketing director Peter Waller. His opposite number at Vodafone, Julian Horn-Smith, is more succinct: "Band III? Good news. More hype."

However, GEC, which is involved in one of the consortia which will run Band III, wants links between the service and the ordinary telephone network. This would then compete directly with cellular. "That would be a different kettle of fish," says Mr Horn-Smith.

Mr Colin Davis, managing director of Cellnet, thinks otherwise: "People will get fed up with having to press the button to talk, they will want real phones, and that means us."

Trying to reach the right potential customers for cellular is still a largely unexplored area. For over a year Cellnet has relied on sponsorship of Formula Three motor racing, and editorial coverage in newspapers and magazines.

Television advertising has been tried but with limited success. Cellnet admits that market research after test advertising in Scotland two years ago found that its effect was negligible.

Vodafone tried out television advertising in the north of England last year, partly because the South was expanding fast enough without extra stimulation. It lasted a matter of weeks.

Vodafone also abandoned sponsorship of sailing. "We were not getting value for money," says Mr Horn-Smith, Racal Vodafone's newly promoted marketing director.

Cellnet and Vodafone are not allowed to sell telephones directly to users. This means that both operators' campaigns will concentrate on brand awareness rather than trying to sell phones as such.

Officially appointed retailers, and the manufacturers of the telephone will continue their product-based advertising in national newspapers.

Each operator has 30-odd retailers, most of which are small. "Eighty per cent of our sales come from six retailers," says Cellnet marketing manager Mr Peter Waller. Those six are: British Telecom, Securicor, the joint owners of Cellnet, Motorola, which makes many of the phones and supplied the infrastructure to Cellnet, independently owned Carphone group and Cellcom, and finally Cheshire-based Excell, which sells only the British made Pocketphone.

Of these, Motorola is growing the fastest, although from a smaller base.

Vodafone is more evenly spread. "Over half our resellers have more than 2,000 subscribers," says Mr Horn-Smith. Racal subsidiary, Racal Vodac, sells the most. Others include Carphone Group and Excell, Pye, Unicare (a subsidiary of Unipart), and US group Millicom.

The success of Motorola and Excell relies on a general move towards portable phones rather than those fixed into a car. Apart from the extra convenience, portables have better margins for the retailers. "Commission-based sales staff like selling portables," says Claire Wynn-Hughes, marketing manager of London retailer DMC.

Portables, and their bigger brothers the transportables, have moved from under 10 per cent of the market two years ago to 30 per cent now. "It should reach 50 per cent within a couple of years," says Mr Wynn-Hughes.

**Danny Green**

SECTION III

# FINANCIAL TIMES SURVEY

Tuesday April 28 1987

Despite the vulnerability of a small open economy Switzerland is remarkably successful in staying ahead of other advanced industrial nations but such success creates its own problems, says **William Dullforce**, Geneva Correspondent.

## The struggle to stay ahead

Hydro-electric scheme in the Ticinese Alps, characteristic of the Swiss amalgam of modern industry and a landscape fit for tourists.

THE SWISS sometimes seem to be doomed to success. How otherwise can one explain how 6m people in the largely rocky fastness without much in the way of natural resources can achieve, and sustain through the upheavals in the world economy in recent years, the West's highest per capita income?

Consider their present situation. Gross domestic product is forecast to grow by just over 2 per cent this year—modest but about average for the advanced industrial countries and not at all bad after the 4 per cent of 1985 and 2.5 per cent last year.

More important, compare unemployed, inflation and interest rates with those of other countries whose economies are growing at a similar pace. In Switzerland, inflation and unemployment are below 1 per cent, interest rates are the lowest in Europe and, one might add, the current account surplus has been over 5 per cent of GDP for the last two years.

However, in the country of Zwingli and Calvin, the great Protestant reformers, every good Swiss knows that there is no paradise on earth. They watch the underside of their success and stress the vulnerability of a small, open economy to impulses and shocks from the bigger world outside.

Currently, a lot of them worry about the inhibiting effect the strong Swiss franc will have on their exports and forecasters are downbeat about prospects for 1988, when consumer spending as well is expected to taper off.

Concern has mounted in recent months, and there has been much debate, about relations with the European Economic Community. The 12 all but surround Switzerland, take over half its exports and are moving towards a single, internal market and closer technological cooperation among themselves. Berne worries about being shut out from developments of such vital interest to Switzerland.

Hard businessmen and materialist as they may be, the Swiss are sensitive, in a pragmatic way, about their image abroad. Switzerland's exposure to the glare of the European media and to the anger of governments on the pollution of the Rhine last November after a fire at a Swiss chemical warehouse sent a long-lasting tremor through the nation from the Government down.

Coming so soon after the accident to the Soviet nuclear reactor at Chernobyl, the ecological disaster on the Rhine has reinforced the "Green" factions within Swiss politics and revived public concern about the social limits to growth. To judge by the results of recent cantonal elections in Zurich and municipal elections in Geneva, this development could even cause some surprises in the Federal parliamentary elections expected next October.

In the financial field, Swiss authorities and the big banks have been showing greater readiness to co-operate with foreign governments and institutions to prevent "dirty money" being hidden in Switzerland and to counter crime and fraud abroad.

As recent events have shown, in spite of its well-documented tendency to preserve political patterns and to resist change, Swiss society is not immutable. Flexibility within a conservative set of values must provide at least a partial explanation for its economic success.

In its last two annual economic surveys of Switzerland the secretariat of the Organisation for Economic Development and Cooperation (OECD) analysed two other aspects, the labour market and the financial sector, in trying to fathom the secret of this success.

Switzerland employs a higher proportion of foreigners than any other OECD country except for Luxembourg. It has become commonplace that the Swiss were able to absorb the oil price shocks of the 1970s more effectively and to keep down unemployment, because they sent home three-quarters of their "guest workers."

Recent research, backed by the OECD analysis, partially debunks the idea. Though the dismissal of foreign workers was a significant factor after the 1973 oil price surge, it was much less evident after 1978 when the policy of assimilating (carefully selected) foreigners by issuing permanent work permits had set in more strongly.

Economic analysts now attach more weight to other elements, such as the relatively low level of trade union membership, a long tradition of "labour peace" dating back to an agreement of 1937 and, above all, to decentralised wage negotiating at the company level.

In contrast to most of its other members, the OECD found, wages in Switzerland had reacted sensitively to changes in both productivity and terms of trade. Wage-setting is flexible above a centrally negotiated minimum.

Managements lay off workers, put them on short time and, in the last resort, sack them when faced with slowdowns or loss of demand but their relationship with the employees is rarely confrontational.

Another myth exposed in the latest OECD report is that Switzerland's prosperity is based on a constant influx of foreign capital seeking a safe tax haven. Switzerland is undoubtedly a turntable for expatriate funds administered by Swiss banks and mostly placed back abroad, but the OECD pointed to the country's high net capital export. The crucial element is strong Swiss domestic savings.

The Swiss financial system, the OECD concluded, had contributed to economic growth to an extent not experienced in any other country. Moreover, Swiss banking won the OECD's accolade for its "remarkable adaptability" to the challenge of financial deregulation abroad and the internationalisation of financial markets.

Recently, however, senior executives of all the three big banks, Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse, have been crying 'ware, suggesting that innovation and the quest for new financial instruments are being carried to excess. None of the Big Three raised their shareholders' dividends this year.

Foreign attention, apart from that of the OECD, has focused over the past year on the use of Swiss banks revealed in practically all recent financial scandals—the pelf allegedly salted away by ex-presidents Marcos and Duvalier, the Iran-Contra affair that shook the Reagan administration, the David Levine and Guinness insider-trading cases.

These "Swiss connections" are frequently cited as showing the murkier underbelly of the Swiss financial centre. Over the past couple of years the Swiss have been steadily modifying laws, treaties and practices to remove the tarnish while retaining the essence of their banking secrecy.

Secrecy rests on two pillars: it is a penal offence for a bank employee to disclose information about a client's business and magistrates cannot order banks to hand over information, unless it has been shown that the matter under investigation concerns a criminal offence.

When a foreign authority asks for legal help, the offence must be criminal under both the Swiss code and the laws of the country concerned. Tax avoidance is not a criminal offence in Switzerland.

The *convention de diligence*, the agreement under which the Swiss banks undertake to monitor the origin of funds placed with them, is being reinforced as a barrier to the entry of dirty money.

An insider trading law is on its way through parliament and the Swiss justice department is about to agree in an exchange of letters with the Securities and Exchange Commission (SEC) of New York that in certain circumstances information can be passed from Switzerland to facilitate investigation of civil fraud cases.

These adjustments have been prompted by the integration of Swiss banking into the global financial market.

Industrialists and bankers fear that the impulsion given to "Green" sentiment in Switzerland by the Chernobyl nuclear disaster and the chemical pollution of the Rhine may threaten the efficacy of this twin power house.

The pollution of the Rhine was an accident where hundreds of thousands of fish and eels died. The river will be impoverished in flora and fauna for years but no human life has been lost.

Sandoz, the chemicals company whose warehouse was burnt down, and the Swiss Government quickly acknowledged their moral and financial responsibility. The Swiss Chemical Industries Association says its members will raise from 10 to around 15 per cent of the proportion of investments devoted to safety and environmental protection.

These extra costs, it might be argued, will weaken the international competitiveness of the giant Swiss chemical and pharmaceutical groups. The Swiss Government, which took a frank and conciliatory position in European discussion of the Rhine disaster, is now pressing for wider international agreement on improved safety norms.

Swiss handling of the matter continued to reconcile principle with practical considerations.

CONTENTS

SWITZERLAND 2

## Economy

# Dollar decline hurts exports

A HIGH GROWTH phase for the Swiss economy is running out of steam for both external and internal reasons.

Export demand, always a critical factor for Swiss industry, has been levelling off for some time, principally under the influence of the steep decline of the US dollar. High consumer demand and high demand at home for capital goods to complete a phase of rationalisation in Swiss industry have filled the breach. But the forecasters are agreed that especially the latter force for expansion cannot carry over into 1988.

Forecasts for this year widely agree that gross domestic product will rise by about 2.2 per cent as against 2.5 per cent in 1986. For 1988 forecasts are beginning to diverge but all point to a significant slowdown.

The economists of the Helvetic Technical Academy at Zurich foresee growth of 1.7 per cent, Professor Jean-Christian Lambelet and his team at Lausanne University have a forecast as low as 0.9 per cent growth for 1988.

During 1986 the dollar lost about a quarter of its value in terms of Swiss francs, squeezing Swiss exporters and especially their profitability very hard. The watch, shoe and textile and clothing industries were first to feel the effects, but the country's largest industry, mechanical engineering, was quickly caught as well.

An exchange rate close to \$1=SFr 1.50 reached in April, if maintained, is bound to hurt Swiss exporters and to enforce structural adaptations.

There is some pressure on the Swiss National Bank to revise its tight monetary policy and thus let the currency lose ground against the dollar. But this pressure is being resisted and should remain resistible unless circumstances change greatly.

They are very different from those of 1978 when the franc rose by some 40 per cent in a year, causing export orders to collapse and inducing the National Bank to abandon monetary targeting altogether for a while. Two important differences characterise today's situation from that of 1978.

Then the franc was rising against almost all other currencies, including the Deutsche Mark. But of late the D-Mark has, if anything, been a bit stronger than the franc. That is crucial, since the Germans are the most important business partners of the Swiss and their most important competitors in third markets.

Perhaps no less important, 1978 came within two years of the severest recession Switzerland has seen since World War II. In retrospect some economists think that the abandonment of monetary targeting was nothing short of a panic reaction which, eventually, had to be paid for by a temporarily enhanced rate of inflation.

But the fall from grace, if that is what it was, has been made up for since: monetary expansion has returned to the previous trend line, fully ironing out the bulge caused by the measures of 1978.

The monetary target in force is for an expansion of the money stock by 2 per cent a year and though it has been pursued with some flexibility, it has been met. The result has been a low inflation rate of about 0.8 per cent in 1986 and a strong franc.

For exporters, low inflation has once again proved an important corrective to the exchange rate: export-weighted and on a base of November 1977 equals 100, the Swiss franc had reached an index figure of 146.7 by February; but if account is taken of the inflation rates in Switzerland and its main customer countries, the figure is only 110.7.

Forecasting exchange rates is notoriously difficult, but the Lausanne researchers have calculated that the nominal exchange rate of the franc will continue to rise in the coming period, by 3½ per cent this year and by another 3 per cent next.

Underlying this forecast there is scepticism about the ability of the Americans to get their deficit under control, but also the prospect of a continued current external surplus in Switzerland as well as continued restrictive monetary and fiscal policy.

The last, incidentally, is not so much a matter of economic management, but of a firm Swiss dislike of spendthrift habits. Like much else in the success of the Swiss economy, it is a case of Victorian virtues rewarded.

The current surplus, in terms of the size of the economy one of the largest in the world, reached SFr 12.6bn last year. Only a small decline is expected this year which may be reversed in 1988 by a reduction of imports resulting from the likely slowdown of the economy.

Behind those surpluses there lie considerable differences from category to category of transaction. Last year the habitual deficit of merchandise trade came to SFr 7.1bn and was easily outweighed by a surplus on services of SFr 10.1bn. The other big item was a surplus of SFr 16.2bn from interest and dividend payments.

The current surplus means that Switzerland must be a net exporter of capital, thus undermining a widely held belief that the Swiss owe their prosperity to inflows of legitimate or illegitimate foreign funds. The occurrence of these flows is beyond doubt, but the incoming funds are in general pushed out again for investment elsewhere.

As regards fiscal policy, last year's expenditure and revenues at federal level ended with a surplus of almost SFr 2bn and though certain extra demands on expenditure are expected in the early 1990s, the traditional instincts of the Swiss are going to remain in favour of thrift.

In 1986 the overall government deficit (for federal, cantonal and communal authorities combined) came to all of 0.1 per cent of gross national product which must be something close to a world record low.

This restrictive stance was just right for a boom year — but the Swiss also seem to have fared well with no more than token stimulatory programmes during periods of economic weakness.

There is much reason to believe that by taking the severe economic recession of 1976 on the chin, permitting the loss of about 300,000 jobs (as compared with about 3.2m persons in employment now) they created the best basis for the subsequent rebound.

Of those 300,000 jobs lost, 200,000 had been filled by foreigners. Yet it is no longer true that the ability to import and export foreign labour more or less at will is a main prop of the Swiss economy. Foreigners are essential to the tourist and construction industries, though highly skilled persons such as computer programmers are also there in force.

But to allow for nationalist susceptibilities the number of foreigners is in practice restricted to 1m at most and has crept close to that figure. No fewer than 788,000 of them were in dependent employment last year, . . . of the total active population of 3.2m.

The tendency now is to encourage the issue of yearly rather than seasonal permits and to renew permits until the foreigner in practice advances to much the same status as the native Swiss.

Of course, there is no guarantee that things will not change if external circumstances should push the unemployment painfully above its present all but negligible level of 0.9 per cent.

Internal conditions do not point towards any major upset, but Switzerland, where some industries have export shares around 90 per cent, is peculiarly exposed to influences from abroad. Its usual ability to ride the squalls, when they come, can be explained as the result of a readiness to accept structural change, low capital costs linked closely to low inflation, and a tradition of harmonious labour relations. They have been attributed to labour's willingness to keep its claims moderate even in boom times, but that has not prevented living standards from being among the highest in the world.

**W. L. Luetkens**

**Economic Prospects**

Percentage change

| | 1986 | 1987 | 1988 |
|---|---|---|---|
| Gross domestic product | 2.5 | 2.2 | 1.7 |
| Private consumption | 3.75 | 2.2 | 2.0 |
| Investment in plant and equipment | 14.0 | 8.0 | 4.0 |
| Merchandise exports | 2.1 | 1.75 | 2.5 |
| Merchandise imports | 8.2 | 4.5 | 3.25 |
| Central bank money stock | 2.0 | 2.2 | 2.0 |
| Real exchange rate of Swiss franc* | 6.7 | 4.0 | 1.0 |
| Consumer price index | 0.8 | 1.3 | 2.0 |
| Industrial production | 4.2 | 1.6 | 1.2 |
| Unemployment quota† | 0.8 | 0.7 | 0.7 |

* Corrected to eliminate distortions due to different inflation rates in Switzerland and its main customer countries.
† Number of unemployed persons as proportion of active population.
Source: Helvetic Technical Academy, Zurich.

## Finance

# Expansion continues on all fronts

A YEAR or so ago there were dire predictions that Switzerland was losing ground as an international financial centre. The Government was deaf to the pleas of bankers to ease their financial burden. This was at a time, it was argued, when competing centres abroad were benefiting from the active support of their local authorities.

At the same time, there were doubts as to just how long the banking system and the capital market could continue their uninterrupted expansion.

In fact, there are still no signs of stagnation. On the contrary, 1986 proved to be another record-breaking year. Virtually every bank which has published figures to date shows a new high in profits. The Swiss National Bank reports an overall rise in balance sheet total by something like 8 per cent despite the heavy fall in the dollar, whereby this excludes the more profitable non-interest financial services which do not figure directly in the assets-and-liabilities colums.

For all the growing internationalisation of Swiss banking, last year's upswing was based firmly on a further strengthening of Swiss operations. The Stock Exchanges all recorded a sharp increase in business: the Zurich bourse showed a 23.5 per cent rise in total securities turnover to SFr 558.2bn. While 1986 capital-market statistics are not comparable with those in respect of the previous year, the sum of SFr 52.7bn in new money from bond, note and share issues also marked a hefty increase.

Switzerland remained a major source of international funding, too. Total foreign borrowings—or, rather those that required National Bank approval—amounted to SFr 52.5bn (up 13.4 per cent), of which all but a minimal 7 per cent went to industrialised countries or international organisations.

All of this is reflected in the earnings of the full-service banks. Net profits of the Big Five—Union Bank of Switzerland, Swiss Bank Corporation, Credit Suisse, Swiss Volksbank and Bank Leu—alone rose by between 11.7 and 21 per cent.

The Swiss financial centre saw an expansion on all fronts over the past year. The growth in classical balance-sheet business showed a particularly sharp rise in inter-bank transactions and a healthy increase in domestic clients' deposits and borrowings reflecting the sound state of the national economy.

Foreign balance-sheet business grew noticeably in local-currency terms but was counteracted by the marked trade-weighted strengthening of the Swiss franc.

All in all, interest earnings rose as a result—though not as fast as net profits from commissions and other non-interest activities. Banks' profit-and-loss accounts show the extent to which financial services—including capital-market underwriting, securities, portfolio management and foreign-exchange/precious-metals trading—have become the much more lucrative side of most Swiss banking.

The overall improvement is due not least to extraneous factors. These include the remarkable stock market boom (which brought the SBC share index to an all-time high in the New Year), the solidity of the national currency, a huge international liquidity and the big demand on the part of institutional investors in Switzerland itself.

Help also came from the Finance Ministry at long last. In October 1986, the authorities lifted the sales tax on physical gold, repealed withholding tax—of a substantial 35 per cent—on inter-bank transactions and halved stamp duty on Euro-bond issues.

In May, the National Bank had already carried out a further liberalisation in the capital-export field. Since October, another incentive has been given to the market by the relaxation by foreign subsidiaries of Swiss companies of issues of securities denominated in foreign currencies.

All this came at a time when Swiss bankers were showing themselves particularly innovative. This led to a series of new instruments being introduced to the local capital market and also to a continuation of the banks' consolidation of their presence in major foreign centres.

Another important move has been in the large-scale modernisation of the stock exchanges, with totally new premises opened in Geneva and Basle and a rapid growth in computerisation and trading facilities there and in Zurich, whose new bourse is expected to start operations in 1991.

Growing international competition, the emergence of highly innovative small and foreign banks in Switzerland itself and an overall change to a younger generation of bankers have all made the Swiss financial centre more flexible.

There is also a much greater awareness of performance than a few years ago, when the world was beating its way to the Swiss door, and a greater readiness—albeit in the presence of some pressure—to reduce costs for clients, especially institutional clients.

This, together with the fact that the national economic environment continues favourable, could be expected to lead to a certain degree of euphoria. Euphoria is not a Swiss speciality, though, and indeed there are grounds for viewing the future with only restrained optimism.

The very move into off-balance-sheet business, as lucrative as this undoubtedly is, has brought with it new risks for the banks. There seems to be little likelihood of a repeat performance of last year's stock-market boom, for example, while the trend towards ever-greater "securitisation" is lowering the average quality of new paper.

At the same time, the international underwriting business is getting more and not less competitive; already, the Japanese—long the biggest foreign Swiss-franc borrowers—are shifting much of their attention to other centres.

Elsewhere, the banks have again been the centre of a great deal of unwanted international criticism—as in the Guinness affair and the case of the Marcos Millions. The Swiss Bankers' Association recently announced new and tougher guidelines for its good-conduct code, due for renewal in October, but its members will remain under the eagle eye of the Banking Commission at home and, doubtless, the US Securities and Exchange Commission.

The international debt situation is admittedly less of a problem to the Swiss than to the bankers of many other countries, but a major crisis would hurt them not only directly but also through the damage it would do to other banks and markets.

In general, the Big Banks seem to feel there is enough down-side potential to run the risk of seeming ungenerous to shareholders in respect of 1986. In fact, the banks say there is no cause for disappointment with regard to dividend payments.

Whatever the case, they are continuing the sort of conservative book-keeping which has stood them in good stead to date—even if the rainy day is only a cloud no larger than a man's hand.

**John Wicks**

**How the big five performed**

| | Union Bank of Switzerland 1986 | % change over 1985 | Swiss Bank Corporation 1986 | % change over 1985 | Credit Suisse 1986 | % change over 1985 | Swiss Volksbank 1986 | % change over 1985 | Bank Leu 1986 | % change over 1985 |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance sheet (SFr bn) | 152.2 | +8.1 | 137.8 | +7.7 | 103.7 | +17.0 | 28.9 | +12.8 | 14.2 | +9.5 |
| of which: | | | | | | | | | | |
| Loans and advances to clients | 89.2 | +10.0 | 61.7 | +8.5 | 44.3 | +10.7 | 19.1 | +8.7 | 4.2 | +15.3 |
| Clients' deposits | 82.0 | same | 91.8 | +7.2 | 64.8 | +11.9 | 23.5 | +12.4 | 7.0 | +48.7 |
| Due from banks | 48.2 | +13.8 | 42.9 | +16.0 | 30.4 | +28.9 | 5.1 | +54.7 | 6.2 | +1.2 |
| Due to banks | 49.6 | +32.3 | 28.3 | +7.5 | 27.4 | +33.7 | 2.9 | +13.2 | 5.1 | +7.9 |
| Net profits (SFr m) | 776.2 | +12.2 | 674.0 | +11.7 | 588.3 | +11.7 | 116.3 | +15.0 | 55.7 | +21.0 |
| Net interest | 1,557.0 | +4.8 | 1,153.4 | +3.5 | 829.2 | +2.8 | 274.2 | +6.7 | 55.8 | +16.0 |
| Net commissions | 1,501.9 | +17.8 | 1,137.0 | +11.5 | 1,034.9 | +18.8 | 284.0 | +9.6 | 83.8 | +21.3 |
| Earnings from foreign exchange (precious metals trading) | 394.7 | +7.3 | 387.1 | +23.3 | 323.2 | +7.7 | 75.2 | +0.3 | 44.2 | +1.4 |

The new stock exchange in Geneva

Politics

# 'Green' causes catch the tide

THE SWISS work hard at their politics as they do at most things but change is laborious. Their direct democracy calls for long lead times when preparing national referendums and encourages prolonged public debate. The status quo has a built-in advantage.

Now, on the approach to next autumn's elections to the two chambers of the federal parliament, voters' desire for change may for once be more urgent than is comfortable for the four big parties—Radicals, Christian Democrats, Swiss People's Party and Socialists—that have run the country in harness for the last three decades.

Three forces agitating the normally smooth surface of Swiss politics are pro-environment sentiment, fear of the foreigner and the European Economic Community's acceleration towards a true common market.

Of these the most powerful, and the most relevant, for the coming election is the gathering public support for groups espousing "green" causes. Swiss responsibility for polluting the Rhine last November and public reaction when Switzerland was affected by radioactivity from the Chernobyl nuclear accident have vastly improved the electoral outlook for the Greens.

Xenophobia, stimulated by an influx of Third World refugees over the past two years, helped the small Right-wing National Action and Vigilant groups win votes and seats on councils in local elections last year. Public concern may have been appeased when government amendments tightening the Law of Asylum won the approval of a strong majority in a referendum earlier this month.

Adoption of the Single European Act by the Community has alerted Swiss industrialists and businessmen to the danger that they might lose out, as the greater part of Western Europe moves towards a single internal market and co-ordinates more closely its financial markets and its research and technological development.

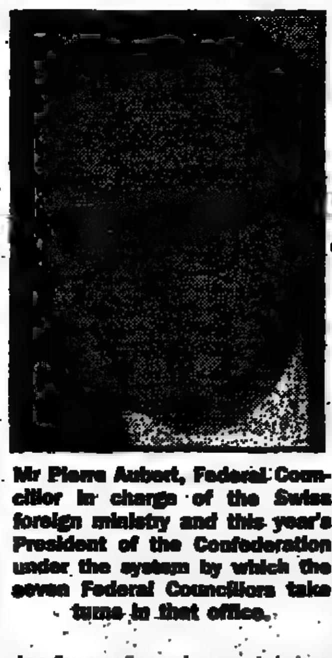
Switzerland has a free trade agreement for industrial products with the EEC and is co-operating with the five other remaining members of the European Free Trade Association (Efta) in negotiating common standards and customs practices for the two trading blocs.

Mr Jean-Pascal Delamuraz, the federal councillor who took over the economic policy portfolio this year, admitted recently that Berne needed to "shift into a higher gear" in conducting its relations with the Community. But, mixing metaphors, he also argued that Switzerland had some strong cards to play.

Swiss neutrality and the incompatibility of the country's federal political system with the Community's political organisation continue to rule out any Swiss request for EEC membership, Mr Delamuraz emphasised. But Switzerland, which imports considerably more from the 12 than it exports, was a trading partner "whose importance and significance are recognised."

Others are less sanguine. Mr Carlo Jagmetti, the Swiss Ambassador to Brussels, took the opportunity of his move to Paris to warn his compatriots that European integration was proceeding faster than they appreciated. Once the 12 had laboriously worked out positions among themselves, they were unlikely to revise them to take account of third-party ideas.

Discussion on future ties with the Community has intensified in Berne and Zurich, the political and business capitals. It has not yet impinged deeply on the electorate, the time is far from



Mr Pierre Aubert, Federal Councillor in charge of the Swiss foreign ministry and this year's President of the Confederation under the system by which the seven Federal Councillors take turns in that office.

ripe for a referendum on joining the EEC and the question is unlikely to be vital to the autumn elections. But the powerful industrial lobby can be counted on to pursue the issue.

"Chernobyl-Basle" is the somewhat misleading label that has been attached to the inspiration behind the current advance of the Greens—misleading because, while the Soviet nuclear accident killed people, the fire to the chemical warehouse outside Basle that precipitated the ecological disaster on the Rhine did not.

Both events, however, have given powerful impulses to the pro-environmental attitudes already present in the Swiss electorate and have revived anti-nuclear views.

The Greens had already made their mark in elections to the Berne cantonal legislature last May. In April this year they increased their number in the 180-member Zurich cantonal parliament from four to 22 and broke into the Geneva municipal council for the first time, taking 11 of the 80 seats. In both cases their gains were at the expense of the four main parties.

These successes have inflated Green hopes of capturing an influential share of the 200 seats in the lower house of the federal parliament in October. The most optimistic envisage a Green caucus bigger than the Swiss People's Party which with 23 representatives is the smallest and most vulnerable of the four coalition parties.

In 1983 the Swiss Green Party itself took 3 per cent of the national vote (compared with 13.8 per cent in the Geneva municipal election this month) and placed three members in the lower house.

It has, however, generated a "Green" vote of 16 to 19 in the house through alliances with other small groups

Green prospects in October are loaded with reservations. The party is split into cantonal groupings and lacks a coherent common platform. Voter support is equally fractured among priorities ranging from anxiety about forest pollution, to a wish to abolish nuclear power, to concern about inner city and housing conditions and a general unease with the Swiss way of life.

The coalition parties, too, are clothing themselves in Green foliage, although they have yet to persuade younger voters of the sincerity of their transformation. What is certain is that after Chernobyl and the Rhine pollution, the Swiss political and business establishments have to take Green attitudes seriously.

**William Dullforce**

Industry

# Uncertainty clouds prospects

SWISS INDUSTRY is coming up for a test. After four years of a recovery in which Swiss manufacturers have performed better than most of their European competitors, the volume of incoming orders is declining, output has flattened and the capital investment surge is tapering off.

Over the next two years it may be easier to decide about the conflicting views on the long-term prospects for Swiss industry. The more austere economists argue that the recovery was initially due to a favourable exchange rate and has concealed major unsolved structural problems.

Profit margins are still inadequate and Swiss companies are not large enough to compete internationally, they maintain.

More optimistic analysts underline the impact on productivity and on production efficiency of companies' recent large investments in new equipment. Their dossiers highlight the return to profitability of long-established engineering concerns such as Sulzer and Georg Fischer, the remarkable rebound in vitality in watchmaking and the refusal to die of the textile industry which practically everyone had written off 15 years ago.

A factor which cannot be underestimated is the will to maintain an industrial presence within the Confederation which Dr Fritz Leutwiler, the executive chairman of the hard-pressed Brown Boveri electrical engineering group, voiced in a recent interview. Industry, in spite of severe rationalisation, still provides close to 38 per cent of Swiss jobs.

Two weaknesses, a late response to technological change compounded by inadequate investment in research in the machinery industry and the failure of the education system to train enough electronic engineers and computer specialists, have been identified and action taken to correct them both by the Government and through joint corporate efforts.

More than half the income of the recently founded Centre Suisse d'Electronique et de Microtechnique comes from mandates for research on behalf of private companies and from sales of its own switching products. Nine electronic concerns are financing Dectroswiss Electronic Design, an enterprise providing know-how, advice and modern design tools.

Three Swiss manufacturers have cornered a share of more than 30 per cent of the West European market for devices to monitor and control heating, ventilation and airconditioning systems. Recently, the electronics industry has been achieving export growth rates of more than 10 per cent a year and Mr Dieter Syz, the president of Landis and Gyr, is confident that the industry will continue to furnish the highest growth rates in the long-term average.

Nevertheless, the question of whether Swiss response to technological change has in general been too little, too late still awaits a definitive answer. On the debit side, too, is the seeming inability, noted recently by a Zurich investment banker, of Swiss engineering concerns to make a success of manufacturing abroad.

This is a curious verdict on an industry which has been dependent for so long on foreign sales. Nor does it apply to the big Swiss chemical and pharmaceutical groups or to Nestlé the multinational foods group, which are singled out in Tokyo these days as pioneering examples of European enterprises that have successfully penetrated the Japanese market and set up local production.

Alusuisse's recent abandonment of its US acquisitions as part of urgent action by a new management to pull the aluminium group out of the loss-making morass into which it was sinking and Brown Boveri's long struggle to make a profit on its American operations indicate, however, that the judgment may not be unfounded.

The conclusion that presents itself is that the shake-out in Swiss engineering set off by the recession at the beginning of the decade has still to be completed. A substantial part of Swiss industry has nevertheless been thriving and the overall record for the last couple of years has been good.

Industrial output climbed by nearly 6 per cent in 1985 and was up a further 3 per cent last year, according to the latest estimates published by the Swiss National Bank. The 1985 result was well above the average for the Organisation for Economic Co-operation and Development.

Federal statistics show an even more impressive development in capital spending. Investment in equipment took off from 1983, recording a jump of more than 17 per cent to SFr 18.3bn ($7.5bn at the then exchange rate) in 1986. A further 12 per cent increase was achieved last year, according to the Swiss National Bank.

Now expectations are more downbeat, to judge by the latest survey by the Union Bank of Switzerland (UBS) of the roughly 200 companies it regularly monitors.

A lowering of earnings expectations for 1987 is attributed in the UBS survey to the dramatic plunge in the dollar exchange rate since the beginning of the year and the sharper than expected decline in economic growth rates in the big industrial countries, particularly in West Germany.

Both short and longer term outlooks vary from one sector to another. The declines in incoming orders have been most noticeable in machinery-making, textiles and watchmaking.

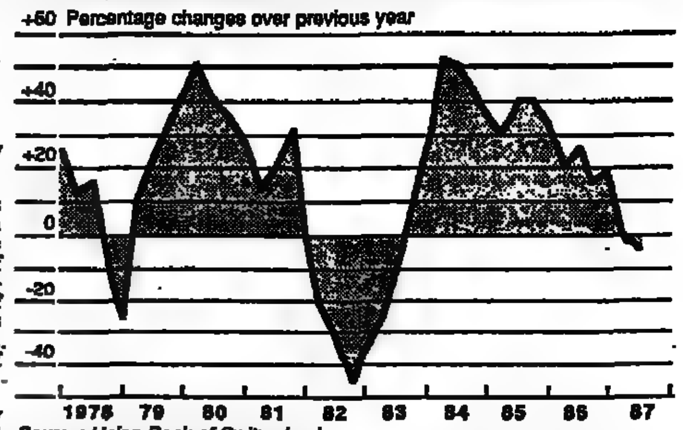
Two of these sectors, textiles and watchmaking, have proved the resilience of Swiss industry.

Under the pressure of international competition the number of textile plants have been whittled down from 850 in 1965 to around 430, the number of jobs being more than halved from 68,000 to 32,000. Yet output today is substantially higher than it was 20 years ago and net exports of textiles (not clothing) amounted to SFr 1.4bn in 1985, compared with SFr 338m in 1965.

Use of foreign labour, careful selection of markets, duty-free access to the European Community and the other members of the European Free Trade Association have played their part but the most important factor in the successful adjustment was probably the six-fold increase in the amount of capital deployed per employee. Even greater investment in machinery and new buildings has been planned for the period 1986-1988.

**William Dullforce**

Total Swiss Industrial Order Volume




Source: Union Bank of Switzerland

Telecommunications

# Search for international niches

THE BUSINESS of telecommunications in Switzerland is in a state of ferment, as it strives to make up for lost time in adapting to technological advances and in meeting the clamour for up-to-date services from Swiss finance and industry.

The federal Post Office, Telegraph and Telephone (PTT) organisation plans to spend SFr 2bn ($1.3bn) a year on telecommunications in the five years to 1990. Political debate and lobbying by users on reductions to the PTT's monopoly have been triggered by the Government's publication last year of a new Bill to replace a law on telephone and telegraph communications which dates back to 1922.

For the domestic industry, however, by far the most important development has been the decision of Autophon and Hasler, the two largest companies, to join forces. Their merger crowns recent somewhat belated moves by Swiss telecommunication manufacturers to consolidate their hitherto fractured efforts in research and development and in trying to penetrate foreign markets.

The lag in Swiss telecommunications is partially attributable to an aborted attempt to develop Switzerland's own digital switching system. Begun in 1969 the plan was for Hasler (linked with Ericsson of Sweden), Siemens-Albis (a subsidiary of West Germany's Siemens) and Standard Telefon und Radio (STR, a subsidiary of ITT of the US) to co-operate in producing an exclusively Swiss system for the modernisation of the national network.

Fourteen years later and after some SFr 300m had been spent the project was abandoned in 1983, when it became evident that the equipment under development in Switzerland was already obsolete by international standards.

Now the PTT is using three foreign systems—ITT's 1240, Siemens EWSD and Ericsson's *AXE 10—to build up Swissnet*, a digital network linking 11 exchanges in Switzerland's main business centres and some 20 trunk exchanges. This initial phase of modernisation is to be completed by the end of 1988.

The next landmark should be in 1990 or 1991 when under current plans the PTT will start to introduce a nationwide integrated services digital network (ISDN). By then the new law covering telecommunications is expected to come into force. In the meantime the issue of how large a slice of the market is to be freed from the PTT monopoly has to be settled.

Currently the PTT is doing good business, notching up net earnings of around SFr 400m a year and contributing SFr 170m to the federal treasury on the 1986 account. It expects to build up reserves of around SFr 1.7bn by the end of this year.

Bank and corporate customers, however, complain that its services are out of date and too expensive. It generates a large part of its earnings on its SFr 600m annual international telephone traffic business, where charges have been exceptionally high. The PTT has already started to cede to users' pressure as the introduction of optical-fibre cables brings down international tariffs in other countries.

Deregulation in the US or British mode is not about to happen in Switzerland. A small country, even the PTT's critics accept, cannot afford to break up its national network and the draft law proposes no privatisation.

Argument concentrates on how far services and equipment from telephones and terminals to videotext and private branch exchanges (PBX) are to be opened to competition.

Without contesting the right of the PTT to retain its monopoly of the ISDN, the Swiss Association of Telecommunication Users is claiming a wider share of the total market for private enterprise, arguing that a freer domestic market will keep domestic companies competitive.

Swiss telecommunication manufacturers, who sold 42 per cent of their combined SFr 2.7bn turnover to the PTT in 1985 and only 31 per cent abroad, are backing the "gradual liberalisation" posited by the Government in its draft law but in return want the Government to be more energetic in negotiating access for Swiss suppliers to protected foreign markets.

With the decision to fuse Autophon and Hasler into a new company, Ascom, however, the penny may be said to have dropped. Both managements realise that to grow beyond their present sizes, they cannot hide under the PTT umbrella but must sell abroad and intensify their research and product development.

With sales approaching SFr 2bn the merged group will dominate the Swiss telecommunications industry but rank small on the world stage.

Autophon, Hasler and Zellweger had earlier established a common research laboratory, Tricom, working on ISDN equipment. They also partner other Swiss concerns in Dectroswiss, a design centre focusing on developing special integrated circuits for small-scale production.

The present consolidation among Swiss manufacturers represents a determined—some analysts would say last-ditch—effort to make up for their handicap in size and to concentrate research and development on "niche" products capable of finding international markets.

**William Dullforce**

Firemen remove barrels at the Sandoz chemical plant after a disastrous fire which caused heavy pollution of the Rhine

Chemicals

# Year of setbacks for the top four

SWITZERLAND'S chemical industry suffered a series of setbacks last year.

After a succession of bigger and better results producers have experienced falling turnover, stagnating or declining profits, lower export earnings and pressure on the home market. Then the business was faced with a public-image crisis brought about by the disastrous Sandoz fire in Schweizerhalle on November 1 and by other less serious environmental mishaps.

Worldwide turnover of Basle's "Big Four"—Ciba-Geigy, Sandoz, Hoffman-La Roche and Lonza—fell by 9.5 per cent compared with 1985 to just over SFr 33.75bn in 1986. Sales at or slightly below the previous year's levels are being reported by smaller companies such as Ems, Sika-Chemie or Siegfried.

A similar pattern is emerging for the domestic operations. The Swiss Government shows chemical-industry turnover—excluding the operations of foreign subsidiaries of Swiss firms—as having risen by only 1 per cent and both output and new orders by a modest 2 per cent during the past year.

All this has, however, to be put into perspective since performance figures have been seriously distorted by exchange-rate movements. The industry has been hit particularly hard by the 27 per cent slump of the dollar against the Swiss franc between 1985 and 1986 (valued at average parities). Although North America is not a major export market, large-scale production there by Swiss chemical groups makes the US by far the biggest single contributor to consolidated sales totals.

Other extraneous factors also have played a role. These include falling US demand for agro-chemicals, the strengthening of the Swiss franc against most other currencies and falling purchasing power in developing and oil-producing countries.

In volume terms, overall world business of the Swiss chemical companies continued to grow. Even after deducting the effect of sales in high-inflation markets, such as those of Latin America, local-currency turnover rose by 3 per cent within the Ciba-Geigy group, by 6 per cent for Hoffmann-La Roche and by as much as 14 per cent for Sandoz. Almost all branches of activity—excluding agro-chemicals—seem to have recorded higher sales volumes in 1986 than in 1985.

Switzerland's chemical exports still managed to show an increase of 1.2 per cent last year compared to 1985 to a record SFr 14.25bn, thus increasing their share in Swiss merchandise exports to 21.3 per cent. This was, admittedly, the result of rather higher prices: without these chemical exports would have dropped by 2.4 per cent.

The stronger Swiss franc also helped the industry since average import prices for chemical raw materials dropped by 7.4 per cent. This meant a considerable improvement in the corresponding terms of trade. According to the Swiss Society of Chemical Industries, the average price of a kilogram of imported chemicals—a large share of which goes to the Swiss chemical industry for further processing—was SFr 2.41 last year, while that for a kilo of exported chemical products no less than SFr 13.70.

The main problem of the past few months, however, was undoubtedly the major fire in Schweizerhalle which led to the worst-ever case of pollution of the River Rhine. The Swiss themselves were appalled that the disaster could have happened in what had been generally seen as a highly-sophisticated industry. Public attention was immediately focused on chemical-industry safety and a long series of subsequent minor cases involving water and air pollution by chemical plants along the Swiss and German banks of the river was seized upon.

Even if the rebuilding of trust in the Basle chemical industry is likely to take a long time, the Schweizerhalle affair has not had any serious repercussions on the industry's actual operations. Some particularly toxic substances have been dropped from production programmes—many had been due for dropping anyway—while the chemical companies are now looking closely at their storage techniques. But this is far from causing a noticeable dent in overall business.

Also, claims made by the then Swiss President Dr Alfons Egli last autumn that Sandoz would be faced with damages running into "nine figures" were wildly exaggerated; it already seems near-certain that damages will add up to only a relatively modest share of Sandoz's liability-insurance coverage.

Indeed Sandoz this spring announced that it would actually increase its dividend for 1986.

"The chemical industry in its entirety looks to the future with guarded optimism," said Dr Andreas F. Leuenberger, chief operating officer of Hoffmann-La Roche, in a recent statement on behalf of the industry. Great efforts were being made, he explained, to remain highly innovative. Large and growing amounts are being spent, too, on research, both in Switzerland and to an ever-increasing extent at the laboratories of foreign subsidiaries, to keep up the high level of added value at a time of rapid technological change and limited patent protection.

In addition, large sums are on hand to build up existing capacities and continue the long series of acquisitions—especially in the US. Furthermore, demand for chemical and pharmaceutical specialities is not likely to slump, and the dollar will almost certainly not fall at its 1986 rate.

Another important factor is that the major producers' ambitious cost-containment programmes of the early 1980s are starting to bear fruit.

This means that there are now relatively few structural weaknesses to be tackled. Switzerland's chemical companies have long since decided what are to be their corporate strategies in respect of production and research development, having now rid themselves of most lines which do not conform. There is little real dead wood in the industry today, and the current difficulties in the agro-chemical sector are of a typical cyclical nature.

The question of location for future projects remains important, though. While large capital investments are still being made in Switzerland itself, any substantial increase in production capacity or research facilities there is hardly viable. The shortage of expert personnel is becoming worse rather than better—and the Sandoz incident shows the problems inherent in a traditional chemical metropolis such as Basle. So, much of the companies' future expansion will continue to be in the US and other foreign countries.

This will be accelerated by the probable continued strength of the Swiss franc and by the need to be close to major sales markets at a time of growing protectionism.

**John Wicks**

Machine tools

# Rich pickings in specialisation

IN MANY ways the machine tool business is the quintessential Swiss industry. It is based largely on medium-sized production units, it has a high level of specialisation and the vast majority of its output is destined for sale abroad.

At the same time, it has carved out a substantial niche for such a small country in the world market, its exports being surpassed only by those of Japan and West Germany.

At present, 108 Swiss companies are manufacturing machine tools. With the exception of a few multinationals such as Oerlikon-Bührle or Georg Fischer, which feature machine tools as part of a comprehensive engineering programme, most producers are medium-sized specialist businesses. Even including the large concerns, the average machine tool manufacturer has a payrool of under 130 employees.

Like so many other sectors of the Swiss economy, the machine tool industry has concentrated its efforts on sophisticated product lines.

An idea of the level of sophistication is given by the fact that last year the average price per tonne of exported Swiss machine tools was rather over SFr 50,000, as compared with under SFr 24,000 for corresponding imports into Switzerland.

The machine tool industry was considerably affected by the recession of the early Eighties: by 1983, companies were speaking of "disastrous" conditions. Since then, however, business has been picking up again steadily.

At the end of last year manufacturers were showing a backlog equal to 7.6 months' output, as compared with only 4.2 months in autumn, 1983. In some cases, companies are—successfully—asking customers to wait 14 or even 18 months for delivery.

The Swiss machine tool industry is largely dependent on export, with some 88.5 per cent of its production going to foreign markets. A sharp rise in demand from other European countries led to exports increasing 10 per cent to SFr 2.28bn in 1986.

At the same time, Switzerland, one of the world's most high-industrialised countries, is itself an important market for machine tools. A continued marked growth in capital investment activity last year (of 6 per cent in real terms) brought domestic consumption up sharply from SFr 716m to SFr 858m.

In fact, this growth benefited foreign suppliers, imports having risen by almost exactly the same sum from SFr 418m to SFr 563m. However, imported machine tools are in most cases not in direct competition with Swiss products.

The Swiss, incidentally, point out with a sideways glance at the US that their market is open to all comers. Not only has Switzerland some of the lowest Customs rates in the industrialised world, but there is very little "buy-Swiss" thinking or outright protectionism.

Switzerland was therefore very indignant when last year the US Secretary of Commerce called for "voluntary restraint" on Swiss machine-tool sales. Berne turned the request down point-blank and subsequently said it would not consider a proposed ceiling on numerically-controlled cutting and punching units as binding and threatened to "take steps" if Washington acted unilaterally to restrict deliveries.

Apart from anything else, exports to the US of Swiss machine tools had dropped 20 per cent in 1986 in terms of Swiss francs because of the weaker dollar.

Generally speaking, the degree of specialisation inherent in the Swiss machine tool industry helps to offset a good deal of market pressure. A large share of new business is still being billed in Swiss francs, for example.

In any case, Swiss manufacturers are better placed than their Japanese competitors in that only some 15 per cent of their business is with the dollar area; the appreciation of the Swiss franc against European currencies has been much less marked than against the dollar.

The strong position on the world market also means that machine tool producers in Switzerland seem to be able to ask for realistic prices—unlike some sectors of the country's engineering sector which in the past few years have accepted many an order at or below cost.

All in all, profit margins have been better during the past two years, says Mr Urs Bleuler, secretary-general of the Machine Tool Division of the Swiss Association of Machinery Manufacturers (VSM) in Zurich. Today, he adds, these are "between sufficient and good."

The machine tool sector has, furthermore, not been subject to the same large-scale restructuring needs as certain other fields of Swiss engineering (for instance, foundries, textile-machinery manufacturers and heavy-plant producers).

Although the industry is constantly trying to improve its operating economies, there have been no radical changes in the past nor do any seem to be pending.

There have in the past few years not unnaturally been some companies who were caught napping by technological change—but the VSM refutes claims that this was widespread. Today, certainly, there is a high general standard of innovation and technological sophistication.

According to Dr Thomas Gasser, chairman-designate of Brown Boveri, the electrical-electronic component in machine-tool manufacturing costs is in the region of 80 per cent.

As to the future, Mr Bleuler says cautiously of 1987 that "we should be pleased if it does not turn out much worse than last year." There are, in fact, one or two negative factors which could influence development.

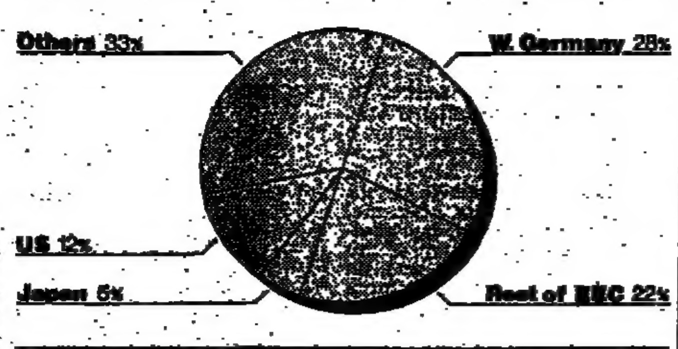
These include a possible decline in American demand—America still being the industry's number two customer—the continuing and indeed growing weakness of the dollar and what the Swiss Government's economic study group Kommission für Konjunkturfragen sees as slower growth in domestic capital investment.

As one way to counter this, the VSM and member companies are keenly participating in trade fairs.

**John Wicks**

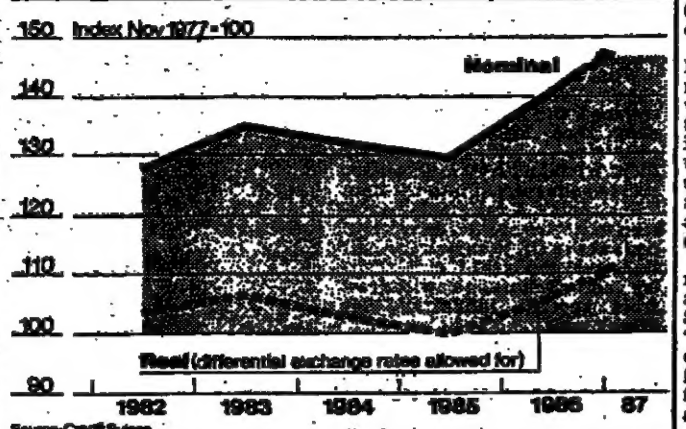
Swiss machine tool markets

Jan/Sept 1986




Source: Swiss Bank Corporation

Export weighted Swiss Franc exchange rate




Source: Credit Suisse

Swissair

# Hit by Swiss franc air pocket

"UPS AND DOWNS are a fact of life in the airline business," said Swissair president Mr Robert Staubli philosophically when presenting the company's 1986 results. Although the reputation of Switzerland's national carrier remained untarnished, its profit-and-loss account had turned out disappointing.

Shareholders were disappointed, too, when the board proposed a cut in dividend from SFr 38 to SFr 33 per share—the lowest pay-out since 1982—even if this was accompanied by a first-time distribution of SFr 6.60 on participation certificates.

At first glance, the results look satisfactory enough. The net-profit figure of SFr 64.5m was only 5.8 per cent down on the 1985 earnings record. However, the airline had been unable to afford supplementary depreciation, which in 1985 had amounted to SFr 45m, following a fall in gross profits by 11 per cent to SFr 340.5m.

In fact, Swissair had failed to repeat the previous year's accomplishment of what Mr Staubli had at the time called a "solid black-ink result on flight operations." The net-profit figure was not even quite equal to book profits from the sale of aircraft and material.

In comparison to the civil-aviation business as a whole, Swissair was still doing pretty well for itself, however. It has an extremely sound financial base—which was proved last month when it ordered six MD-11 airliners at a cost of SFr 1.2bn with options for a further 12—and views the book profits as the fruits of a conservative write-off policy.

Even more significant was the fact that last year's results were far from showing a true picture of actual performance. Like all other Swiss companies, the airline was severely affected by the continued and growing strength of the national currency. The effect of the harder Swiss franc—not only in terms of the dollar but also when compared with most European currencies—lessened net profits by something like SFr 100m.

As luck would have it, this coincided with a number of extraneous factors which reacted negatively on traffic volumes. These included terrorism in Europe, the Chernobyl disaster, political unrest and the loss of purchasing power in weak-currency countries or members of the Organisation of Petroleum Exporting Countries.

Despite this and a small drop in mail business, traffic did rise by some 3.2 per cent in terms of ton-miles. But the airline's fall into the Swiss franc air pocket was responsible for a drop in traffic revenues by over SFr 300m. This could not be wholly offset by a 7.1 per cent savings in costs resulting largely from cheaper aviation spirit and the lower dollar.

It seems unlikely that the same constellation of negative conditions will apply throughout this year. Indeed, second-half results last year were back to corresponding 1985 levels. The current year should, says the airline, reach 1986 results at least—an indication that it expects an improvement.

The Swissair management has not been sitting around waiting for this to happen. With no government hand-outs to help it along, the company has been able to book an unbroken series of annual profits over the past quarter-century only by applying strictly commercial criteria—always within the parameters imposed by its position as a "quality" airline and in the realisation that not every operation can pay at any given time.

Late last year, for example, it was decided that the payroll should be cut by 1.5 per cent, this following a provisional ban on recruitment since September. At the same time, the search was intensified to scrap chronically uneconomic services. The network, it was stated, would expand at a "below-average" rate.

According to Mr Staubli, "increasing our market share is not an objective that we are pursuing per se." With quality rather than quantitative growth as an aim, Swissair is to direct its energies at retaining its existing market share "at the very most."

As far as up-grading the network is concerned, Swissair has discontinued a number of services—including that to and from Dublin—while adding some 10 new destinations.

One of these, Atlanta, is particularly important; the question of a major new US gateway for the airline had played a key role in the almost three years of negotiations for a revised American-Swiss civil aviation agreement. Including Atlanta and, as another recent addition, Anchorage, Swissair now flies non-stop to five US cities.

Apart from these improvements to the network and a number of moves to expand ground facilities, the airline has been continuing its major fleet modernisation programme. The purchase of the MD-11s will naturally mean heavy capital investments—but their use promises to be more economic than that of the DC-10s they are replacing.

The decision is seen by company chairman, Mr Alan Baltensweiler, as being of "unequivocal value to the Swissair of the future."

If the airline is having problems making its own flight operations pay, the same does not apply to its subsidiaries. The Swiss charter companies, Balair and CTA, both had an extremely successful year, their net profits having risen by 82 and 56 per cent, respectively.

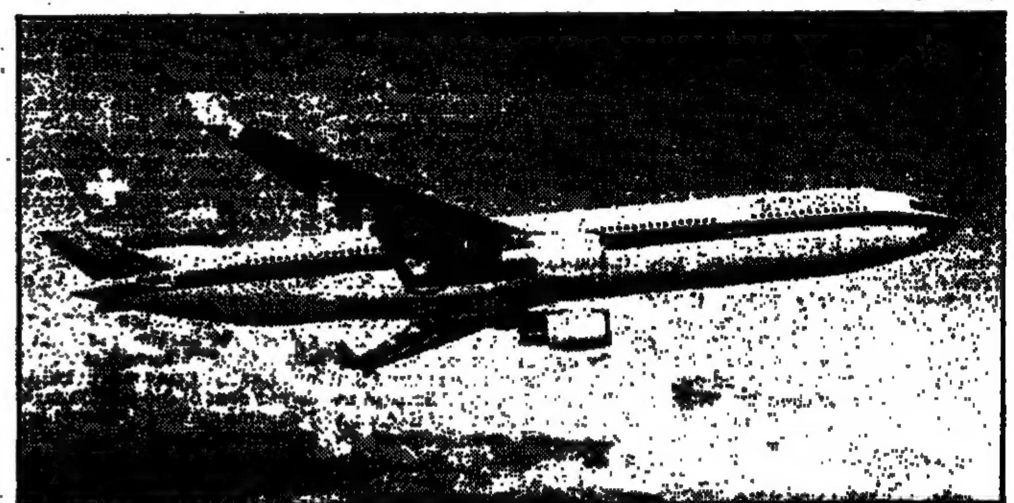
The same goes for the non-flight activities carried out under the wing of Swissair Associated Companies. These include the 50 per cent stake in Swissôtel, a hotel-management company jointly owned with the Nestlé group. Over the next four years, the chain is planned to expand to cover some 30 properties.

Swissair and Nestlé also together control the six-hotel Sodereal concern, of Geneva.

Diversification is not taking place at any price, however. Besides being profitable, subsidiaries are intended to have sufficient growth potential to guarantee that their contribution to overall earnings reaches a "respectable magnitude over the medium to long term."

However lucrative the ancillary operations are, they will remain peripheral. With 56 years of aviation behind it and roots going back to the wing-and-a-song days just after the First World War, Swissair is not out to become a conglomerate. "Flying aircraft is what we are in business for," said ex-pilot Robert Staubli in Zurich last month, "and that is the way it will stay."

**John Wicks**



**Swissair is one of the main launch customers for the new McDonnell Douglas MD-11 tri-jet ultra long-range airliner, that is the advanced technology replacement for the now ageing DC-10s**

| World market for watches (estimates) | World | | Switzerland | | | Japan | | | Hong Kong | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pieces* | Value† | Pieces | Share | Value | Share | Pieces | Share | Value | Share | Pieces | Share | Value | Share |
| 1975 | 218 | 8,250 | 75 | 34% | 3,280 | 40% | 30 | 14% | 1,530 | 19% | 6 | 3% | 90 | 1% |
| 1980 | 300 | 9,500 | 88 | 29% | 3,670 | 39% | 88 | 29% | 2,380 | 30% | 71 | 24% | 1,000 | 11% |
| 1981 | 323 | n/a | 76 | 24% | 4,040 | n/a | 108 | 33% | 3,740 | n/a | 87 | 27% | 1,160 | n/a |
| 1982 | 339 | n/a | 48 | 14% | 3,620 | n/a | 105 | 31% | 2,620 | n/a | 90 | 27% | 760 | n/a |
| 1983 | 381 | n/a | 45 | 12% | 3,520 | n/a | 123 | 32% | 2,820 | n/a | 106 | 28% | 660 | n/a |
| 1984 | 410 | n/a | 49 | 12% | 3,980 | n/a | 147 | 36% | 3,400 | n/a | 76 | 19% | 480 | n/a |
| 1985 | 451 | 11,000 | 61 | 13% | 4,470 | 40% | 177 | 39% | 4,000 | 36% | 95 | 21% | 540 | 5% |
| 1986 | 550 | 12,000 | 64 | 14% | 4,700 | 40% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

* million. †SFr million.
Source: Credit Suisse and Swiss watchmakers' Federation.

## Watchmaking

# Revolution that proved timely

THE FIGHTING recovery of the Swiss watch industry from acute crisis a few years ago has reached a critical point. How will the Swiss stand up to an inevitable Japanese counter-attack at a time when world market conditions have to some extent worsened?

What speaks for the ability of the Swiss to hold their ground is the important fact that, for once, it is not they but the Japanese who have been hit hardest by exchange rate movements: of late the yen has by far out-soared the Swiss franc.

In addition, the Swiss have a very firm position in world markets with a share, by value, of about 40 per cent and they have made strong progress in overcoming the historic fragmentation of their watch industry. But that process is not yet complete. Moreover in the medium price range difficulties remain which have only in part been solved.

Sources in the industry speak confidently of the outlook for 1987, provided the world business climate does not fluctuate too violently. But for that degree of confidence to have become possible, the industry had to undergo nothing short of a revolution.

Since the early 1970s, the number of separate businesses in the Swiss watch industry has shrunk from 1,600 to 600. The number of people employed has dropped from 90,000 to 32,000. In the process the last 15,000 men and women who made components at home—the survivors of the original cottage industry structure—have given up.

In the course of this process of consolidation, which may not yet be complete, a giant has arisen in the form of SMH, born from a merger of the previously two largest watchmaking businesses, Asuag and SSIH. SMH accounts for very roughly one-third of the sales of the entire Swiss watch industry, which last year came to about SFr 4.7bn (about £2bn).

These structural changes have been accompanied by deep change in both technologies and marketing. The main event here was the often-told story of the Swatch, a cheap but reliable timepiece marketed not in the staid traditional fashion of the industry, but with aggressive and frequently changed styling.

It has been largely instrumental in enlarging a market of slow growth because it has induced a growing number of customers to own and even to wear simultaneously more than one wrist watch.

Equally important, this plastic cased watch is manufactured by a largely automated process, thereby helping to overcome the Swiss industry's most obvious handicap, its high cost of labour.

Not everyone in the Swiss industry is fully happy with the advance of the plastic brigade. Will its success prove temporary? Is the pop styling a passing fad? If so, there is no concrete evidence to that effect.

Year by year exports of plastic watches have risen from 1.3m in 1983, to 4.1m, to 10.2m and to 15.5m in 1986. A recent decision of the SMH management to increase output of plain Swatches without the gaudy garnish may be evidence that the Swatch has established itself as a timepiece pure and simple.

The other doubt expressed is that the plastic watches, whose accuracy vies with the best because of quartz technology, have ruined the market for watches in the medium price range. That means watches retailing for about SFr 61 to SFr 300. It is true that output in this range shrank from 11m pieces in 1983 to 9m in 1986, though it is also true that some brands did increase sales.

Mr Andre Margot, president of the Swiss Watchmakers' Federation, explains that this sector of the industry has had to contend with two particular adverse factors. Traditionally, watches in this range are fitted into steel cases, but steel has gone out of fashion.

In addition, it has proved hard to gain acceptance for a particularly Swiss image for this kind of watch: there is nothing much to distinguish the Swiss from, say, a Japanese product.

Among the SMH stable of brands, Tissot has made an attempt to cope with both problems at once by producing a watch whose case and face are made not of metal but of granite, giving a very individual look. Mr Margot belives that other novel materials, such as ceramics, may eventually be used to make watch cases.

At the top of the range, and especially in the real luxury class, the Swiss are almost without rivals, having a firm hold on 80 per cent of the world market. Yet some makers of these highly specialised products have had to launch slightly more modest, though still luxurious, watches to take account of reduced spending power among some of their clients, especially in the Arab world.

Yet total exports of the industry last year, including components sold to makers elsewhere shrank only to SFr 4.27bn from the all-time record of SFr 4.31bn in 1985. As a pointer for 1987 it has to be added that the contraction took place mainly at the end of the year.

Given that the US is the biggest market for the Swiss industry, and given that the dollar depreciated heavily against the franc last year it must follow that profitability must have suffered. That may continue, especially since Japanese watchmakers are sitting on sizable unsold inventories.

Swiss feelings about the second main competitor in Hong Kong, are bitter sweet. In numbers of watches sold Hong Kong had a world market share of 21 per cent in 1985, though by value it was only 5 per cent. Yet many of these watches contained Swiss movements. The Swiss industry's exports to Hong Kong last year were worth SFr 633m.

Mr Margot of the watchmakers' federation says that the faking of Swiss watches in Hong Kong has been almost stamped out. But Hong Kong also exports a number of unbranded watches which are then doctored elsewhere to counterfeit Swiss brand and style, or even the hallmarks.

Altogether the output of fakes is estimated at some 10m pieces a year — a substantial amount when compared with the total output of 64m watches in Switerland last year. In one case the counterfeiters even got their product on to the black market before the genuine brand had been launched.

**W. L. Luetkens**

## Profile: Nicolas G. Hayek, chief executive of SMH

# Man the Japanese are watching


Mr Hayek spurned conventional wisdom by refusing to retreat into high value sector.

ONE OF THE few people to have taken on the full might of Japanese industry and to have won the first and probably crucial battle is Mr Nicolas G. Hayek, an unconventional, not to say, unusual Swiss. His name, more than any other, is associated with the recovery of the Swiss watch industry and its biggest company, SMH, after a dismal time in the early 1980s.

Now, five years after being asked to produce a plan to turn round SMH's two predecessor companies, Asuag and SSIH, and two years after buying a major stake in SMH and becoming chief executive officer, Mr Hayek looks forward with relative serenity to the battles to come as the Japanese hit back.

What makes the performance especially interesting is that he spurned the conventional wisdom that highly developed countries and especially Switzerland with its high wages, must needs retreat into the high value sector. A resigned conclusion that "we are too dear" had caused the US to surrender half its brown goods (hi-fi etc) industry and Britain to withdraw from several industries, Mr Hayek says.

By 1980, competition from Japan and Hong Kong had driven Swiss watchmakers right out of the low cost sector, yet Mr Hayek advised that the counter-attack must be made precisely there. It was that advice which eventually prompted the launch of the Swatch with its worldwide marketing success. "We must not make the mistake of selling Rolls Royces only and nothing in the lower brackets," Mr Hayek says. "If we were to do that, we should have no industry left in the long term."

Those are brave words. Behind them there lies the analysis made by Mr Hayek as head of Hayek Engineering, the consultancy which first brought him to prominence in the business world.

Two key points of that analysis were that the world market for watches is not saturated and that wage costs are not all-important in this business. Mr Hayek reckons that one in 100 of the world's inhabitants buys a new watch every year, making an annual market now of some 500,000 pieces which will grow as long as the world population does.

As regards labour costs, Mr Hayek says that, luxury items apart, they constitute 5-10 or at most 10-12 per cent of the price of a watch sold in New York for $100. Hong Kong or Japan therefore would have an advantage of, say, $2 to $5 only—which could be made up by good management and by lower Swiss capital costs.

That puts a very different gloss on the difficulties of contending with high wages in Switzerland. Ask Mr Hayek which comparative advantage the Swiss watch industry has, and he will retort: "What is the disadvantage?" And then there follows a reflection on the man's general attitude: "There is no disadvantage, apart from the usual fault we have in the industrial countries of Europe and America—a tendency towards decadence. We live too well—and after generations of prosperity the human mind is no longer ready to tackle obstacles."

He certainly does not look the product of one of Europe's most prosperous but also conservative business establishments. His dress tends to be informal, his hair straggles. Eyes and speech are lively, and he points out that after a housecleaning the top management at SMH (himself apart) is aged between 41 and 44 years of age.

SMH achieves about SFr 340m of its turnover in the region of SFr 1.9bn a year in the high-tech sector, including integrated chips, lasers and some others. Mr Hayek believes that European producers have a special role to play in these modern fields by "humanising" the application of the new technologies—making equipment easier to handle and reducing the strain on eyes and nerves of work in the fully networked modern office.

The production of integrated chips at a pilot plant has caused a rather Swiss argument. The metalworkers' trade union had agreed to continuous working, seven days a week, 24 hours a day, on an unusual overtime basis.

Compensation was not to be in cash but in time off: by working at night or at weekends, the employee could earn a week's pay packet in 30 rather than the usual 41 hours. But the government office supervising working conditions in industry intervened and the whole matter may take some time to settle.

Mr Hayek was born in Beirut in 1928, the son of an American father and a Lebanese, partly Swiss, mother. He married a Swiss and gained his first industrial experience in his father-in-law's foundry. Borrowed money enabled him to found his consultancy in 1963 and it prospered.

Clients have included some leading Swiss and German concerns, as well as governments in Switzerland and in the Third World. Hayek Engineering has managed the planning and construction of steelworks in China and Nigeria and has advised the Swiss Government on how to modernise its technical colleges.

Hayek Engineering now employs 350 people. "We have people who can develop a product, who can produce it and who can market it," Mr Hayek says. It does not itself make hardware, but in some cases it has supplied management people for the boards of clients.

Mr Hayek does not take share stakes in client companies with the great exception of SMH. That is a very special case, explicable perhaps by the emotional significance of watchmaking to the Swiss.

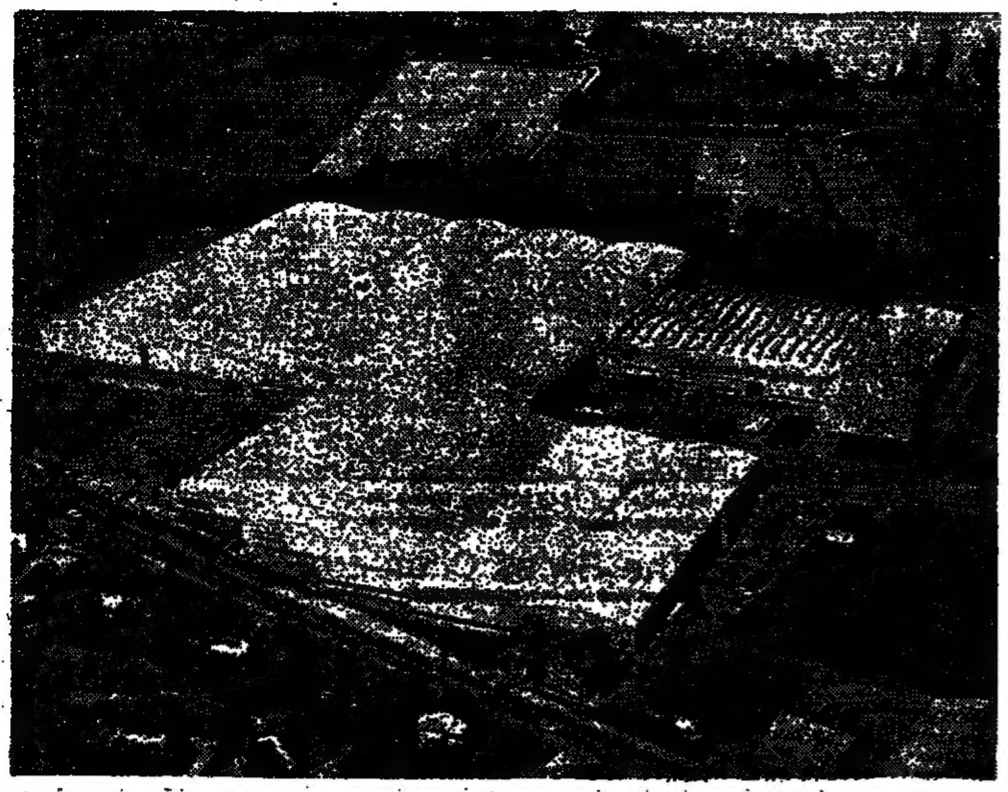
Mr Hayek says that making watches is a Swiss "culture or frame of mind." It has an important place in the national consciousness—something that is not the case in Japan, for instance.

He bought his stake in SMH from the banks that had held its predecessor companies above water. He acquired 51 per cent of the equity for SFr 143m, but passed on a portion to a group of other investors and also formed a close partnership with one of the leading Swiss industrialists, Mr Stephan Schmidheiny.

The present position is that Mr Hayek and Mr Schmidheiny hold 33 per cent of the SMH equity and the so-called Hayek group controls more than threequarters of the voting shares. Members of that group have assigned voting rights to Mr Hayek and have given him the right to veto sales of their shares.

Mr Hayek and his group bought their holdings at a share price of SFr 100. It was a good investment. The price subsequently topped 600 and at the beginning of April still was in the 400s. A grin crosses Mr Hayek's face as he recalls that. But he is quick to add that money as such has never played an especial part with him: "Other things are more important to me, but money is a tool to use just as a painter uses paint."

**W. L. Luetkens**



A surprisingly diversified range of products and services is carried out at the Arbon works of Arbonia-Forster (left). Above: inside the works, the aim is to increase exports

## How Arbonia-Forster grew into a mini-conglomerate with annual sales of SFr 170m

# A local hero takes stock

THE SOUTH-WESTERN bank of Lake Constance is more than just fish restaurants and swimming lidos. The chain of villages and small towns along the shoreline have a manufacturing sector that goes back to the early days of Swiss industrialisation.

Typical for this part of the Cantons of Thurgau and St. Gall are medium-sized metalworking and engineering businesses, many of which have carved out a place on world markets.

One of these is the Arbonia-Foster concern, of Arbon, a group of affiliated companies with annual sales approaching SFr 170m. At the same time, this is a typical in one important respect. While most manufacturers of this size—in Switzerland and elsewhere—concentrate on a single field of activity, Arbonia-Forster has a surprisingly diversified programme of products and services.

The story of how this mini-conglomerate came about is an unusual one. Normally, companies which have grown up by a process of accretion did this in the interest of expanding core activities or at least with a view to synergy. In the case of Arbonia-Forster, the criteria to date have been home-town considerations. For all its international connections, the group is very much of a local hero.

The roots of the firm go back to 1874, when Mr Hermann Forster set up a small factory in Arbon to make wash-house coppers. From there he got into the steel-tube business and by the 1950s into the building of refrigerators. Today, the production programme of Hermann Forster AG is centred on built-in refrigerators and kitchen units and steel tubes and profiles.

The original Arbonia was manufacturing radiators—as the name indicates, also in Arbon—in the '50s, when it rented part of a lorry shed from Mr Jakob Zuellig, a local butcher. When Arbonia fell on hard times and could not pay the rent, Mr Zuellig bought into the company. He got interested in the business and for about five years divided his working day between meat and radiators.

Initially, Hermann Forster sold tubes to Arbonia to put in its radiators. Then Mr Zuellig, who had given up butchering by this time, decided to build a tube-welding plant of his own—and sold excess capacity to Hermann Forster. In 1973 he then took over the Forster company from its elderly proprietor.

In the following year Mr Zuellig then acquired Air Froehlich, a manufacturer of heat exchangers and other energy recovery systems—also in Arbon—and subsequently, after negotiations which took all of two hours, the local company Buehler-Regina, a producer of shuttles for the embroidery industry.

Nor was this all, Mr Zuellig came by the Arbon coach operator Cars Alpins Neff, the haulage company Asta and the heating-oil distributors AFG Tanklager. The entire Arbonia-Forster group had stayed within city limits.

Today, the group is expanding in at least its main activities. Turnover rose 6.7 per cent to SFr 168.9m last year—of which some SFr 116.5m was accounted for by Hermann Forster—and cashflow by almost 54 per cent to SFr 14.3m. A considerable sum is being invested, particularly with a view to raising the Forster subsidiary's kitchen-unit and refrigerator capacity by up to one half.

At the same time, the Arbonia-Forster group is working out new strategies for the future. Mr Zuellig is still very much in evidence but last year, at the age of 65, he handed over the reins as chief executive. His successor is Dr Edgar Oehler, formerly editor of a leading St Gall newspaper and a Christian Democratic member of the Federal Parliament.

One goal for Dr Oehler and finance director Mr Jakob Marti is to increase the already substantial export share of group turnover. For years now this has been between 35 and 40 per cent.

In the medium term the management would like to see something in the region of a 50-50 breakdown. This could be even higher for specific products. For example, it is hoped to raise the export share of steel tubes from about one half to nearer two-thirds by 1990.

The main export market will continue to be Europe, with special emphasis on the nearby Federal Republic. Other regions offer possibilities, too, not least for niche products and systems. An example of potential is the environmental programme of Air Froehlich, one of whose specialities is a process for desulphurisation of flue-gas.

The group also benefits from the fact that Switzerland itself is an excellent market. It expects "steady growth" not least for the Forster range of kitchen units and refrigerators — although the current expansion is aimed more at meeting export demand.

The question remains as to whether the group will remain in quite its present patchwork form. Just as expansion is foreseen for refrigerators, kitchens, the Air Froehlich subsidiary and steel tubes and profiles, there seems to be much less of a future for operations like embroidery shuttles, coach trips or oil distribution.

There has already been some reduction of the overall programme, for example, by the scrapping of the plastic eletrical — conduit line in 1985.

It also appears likely that in future Arbonia-Forster will not be quite so Arbon-centred. Management is, for instance, already thinking about how the market in the neighbouring Community countries will be when borders are finally opened in 1992. "We must hit on something," says Dr Oehler. This could well be co-operation with foreign business, acquisition or the building of outside production facilities — and perhaps not only in Europe.

At present, Arbonia-Forster is still controlled by Mr Zuellig and a group of private minority shareholders. Recently, there have been claims in the press that the company might be thinking of some sort of public offering. "Not this year," is the sibylline remark in Thurgau.

**John Wicks**

## Profile: Dr Hans Jucker, president at Alusuisse

# Clearing away the debris

Dr Hans Jucker has been calling a spade a spade ever since he took over the top managerial post at Zurich-based Alusuisse early last year in the wake of a dramatic executive re-shuffle.

The aluminium price, he said, was "in the basement with no signs of recovery." It would take the group three years to extricate itself from the crisis and Alusuisse would "cease to figure among the world's leading primary-aluminium smelters."

Last week Alusuisse shareholders agreed to a radical restructuring of corporate finances, with a halving of capital and the freeing of statutory reserves. This was to make up for total losses of SFr 1.44bn experienced in 1985 and 1986, themselves the result of large-scale write-off operations. This, says Dr Jucker bluntly, is simply the "price to be paid for clearing away the debris."

He has very definitely been drawing the consequences. As head of an executive-committee triumvirate which also includes Mr Hermann Haerri and Dr Theodor Tschopp, he has initiated moves to slash smelting capacities, sold such subsidiaries as the large US companies Maremont (car parts) and Ormet (aluminium) and generally gone about up-grading group activities.

For all that, Dr Jucker still sees himself primarily as a scientist. This was how he started out in life. Born in the Basle suburb of Riehen in 1927, he obtained a doctorate in chemistry from the Federal Polytechnic in Zurich and an MSc in physics from London University on a Ramsay scholarship. He then went to the former Ciba company in Basle to work in chemical research.

His interest in apparatus took him to become head of research at first one and then another Swiss precision-instrument company before being put in charge of all Alusuisse research in 1969.

In 1974 he moved to Basle as chief executive of Lonza, a chemical company which had just been taken over by Alusuisse. It was here that he built up his reputation within the group as an able manager. Although Lonza had already overcome a serious crisis brought about by a petrochemical adventure in the Sixties, it still had a substantial "commodity content." Despite the boom conditions, just before the oil shock of 1974, Dr Jucker had

Dr Hans Jucker, president and chief executive of Alusuisse

his doubts as to how long these could last.

Apart from putting Lonza in a better position than many other companies in 1975, his policy of building up fine-chemicals production at the cost of high-tonnage products paid off—and in due course led the firm out of making the quasi-commodity chemical PVC.

In the past couple of years, Lonza's success as the chemical arm of Alusuisse naturally stood its chief executive officer in good stead. The Zurich headquarters had long suffered from a lack of corporate self-criticism, whereas the deceptively mild-mannered Dr Jucker had acquired a reputation of rocking the boat. "I was a permanent nagger and no-man," he says today with a grin.

Whatever the case, he was the man of the moment last January when the parent company's chairman and chief executive officer both resigned. He was highly thought of not only at company headquarters but also by the banks—which last month readily agreed to convert SFr 300m of Alusuisse debt into subordinated loans.

Dr Jucker's philosophy at Lonza—expanding into high-added-value specialities—is very much in evidence now he is in charge of the group as a whole. Thus, primary-metal operations are being reduced to "the level where we can guarantee raw-material quality and are not in the hands of outside suppliers," while aluminium activities in general are being concentrated on more sophisticated products.

The specialisation process also continues in chemicals, though here, too, he points to the necessity for some commodities activities for in-house purposes. Increasing difficulties in the transport of hazardous chemicals, for example, mean Lonza needs to make such substances as prussic acid locally, while at the Bodio plant in Switzerland the traditional production of silicon carbide continues to use furnace capacity.

Whatever his overall aims, Dr Jucker stresses that he does not believe in any "holy doctrines." This, he explains, is due no least to his scientific training. By the same token, he does not approve of yes-men; at the military-style "report" conferences held by the ex-colonel and regimental commander. His motto is that "if everyone nods, something must be wrong."

The old days of Alusuisse's magic formula (50 per cent from aluminium, 50 per cent other miscellaneous products and 50 per cent sold in the US, 50 per cent in other markets) are long past. In fact, the share of chemicals may well grow from one-third to one-half of group turnover—but because of Dr Jucker's "triangle principle" of matching research, production and marketing potential and not as the result of an absolute target.

For all his pragmatism, the Alusuisse chief executive officer has a clear view of how he wants things to turn out—break-even in 1987 and an albeit modest net profit next year, always assuming there are no further serious setbacks from the dollar rate, world demand or the metal price. At the same time, the aluminium sector will continue to develop towards "problem-solving systems" and away from mere tonnage. Chemicals should keep on growing—perhaps being fuelled by more acquisitions like the highly-successful Glyco takeover in the US last year. Alusuisse will do more and more in such hybrid areas as plastics-and-metal composites materials.

"Trouble-shooting is not really my original job," says Dr Jucker. With the debris cleared, he now plans to get back to more constructive work.

**John Wicks**

Tourism

# Occupancy rates need boost

*THE TOURIST* trade, *like* much of the rest of Swiss industry, is battling against a deteriorating world business environment, chiefly the decline of the US dollar and the consequent difficulties for Americans paying Swiss prices. But an increase in *the number of visitors from* European countries none the less helped to make 1986 into a satisfactory year with overall income *from* tourist *declining* only modestly to SFr 9.99bn (about £4.2bn) from SFr 10.12bn in 1985.

*Nevertheless the current* year, which has been declared the 200th anniversary year of tourism in Switzerland, is also a *year of much debate about* the structural health of the industry.

Two interrelated subjects dominate the discussion. How can occupancy rates be raised from a relatively low level, explicable chiefly by the seasonal rhythm of high winter and high summer with long breaks in between? And can the country afford to create ever more tourist facilities and to open up *the few remaining undeveloped* regions without damaging the environment to the point where the effect will be self-defeating?

Occupancy rates in the hotels averaged only 34 per cent of available spaces in 1985 (although 42 per cent if allowance is made for beds in hotels that close in the off season). That means that the less successful are not making enough money to pay for renovation *and modernisation as it* becomes necessary.

The position is much worse in the chalets and holiday apartments which constitute an important sector of the industry. About 380,000 beds are available for rent in accommodation of this kind (plus another 600,000 in accommodation that is not on the market). Those figures compared with about 275,000 beds in hotels and similar establishments.

In those chalets and apartments which are available for rent the occupancy rate averages *only about 18 per cent over* a whole year. (In those not on the market it is much lower.) It follows that the task of achieving a yield sufficient to pay for repairs as they become necessary is even stiffer than in the case of the hotels.

Empty apartments have caused rising irritation with "closed shutters" spoiling the amenity of many a tourist haunt. Dr Walter Leu, Director of the Swiss National Tourist Office, foresees the danger of crumbling plaster spoiling the view even more once houses built in the boom of the 1970s need attention in the 1990s.

The picture is not all bad. The occupancy figures are averages with a great discrepancy between the *highest* and the lowest rates. Many apartments are professionally managed and achieve rates far better than the average.

Moreover, even a chalet or apartment occupied only at the height of the season provides business *for the local* tradesmen and facilities, such as mountain railways. That can make the difference between *viability and bankruptcy*. It is especially important in some mountain regions which would become increasingly depopulated without added income from the tourist trade.

As regards the environmental aspect, Dr Urs Schaer, director of the Swiss Tourist Federation, says that Switzerland can just about cope with the tourist facilities and regions that it has. Attention will have to concentrate on *improving what facilities* there are and on making better use of them, rather than on adding ever more.

*Powers* do exist to restrain or even prevent *the building of* more and more ski lifts and zoning regulations can be used to restrain the construction industry. *The will to use those powers* may not always be apparent, but some communes have issued complete bans on the building *of more chalets or apartments*.

Restrictions on sales to foreigners have tightened greatly, so that one reason for *building such accommodation* has all but disappeared.

The task of luring tourists into the country at periods other than *the main two seasons*, which last roughly from January until March and again from June until August, is not going *to be easy*.

A growing number of tourist resorts have installed central data processing facilities to help the intending visitor to find the chalet or apartment he wants, or, for that matter, a bed in a hotel. But that is only a beginning.

Its importance is underlined by the fact that Switzerland is not a country where all-in tourists people the lakes and mountain sides. *About 90 per cent of* the tourists come under their own steam, a figure swollen, of course, by the native Swiss themselves.

*The rejection of* the all-in tourist is deliberate: because their space is limited—and because their costs are high—*the Swiss have for long preferred* the individual visitor to mass tourism. That shows in the handsome figures for overall *spending in Switzerland by* foreign tourists.

Those staying in hotels disburse some SFr 140-190 per day *and those staying in apartments*, chalets, private rooms (of which there are *few*), and on camping grounds or in youth hostels and the like *still average* a useful SFr 40-70 a day.

The approach to spreading the tourist season over a longer *period is reflected in part in the* publicity motifs that the Swiss National Tourist Office has chosen for the coming years. In 1988 the mountain areas are to be plugged as an alternative to southern beaches offering greater variety than merely simmering and frying in the sun.

The idea is to make people think in terms of a second or even third holiday each year. For 1989 the motif will be the *attractions of Swiss cities*, many of which still have intact mediaeval areas. The idea is to suggest to the potential visitor that if the rains come, as they *always will in the Alps*, he can do something more interesting than mooch around his quarters.

*Much importance is also* attached in the tourist trade to plans to improve further the already efficient services of the Swiss railways. *In spite of the* motor car and in spite of the advance of charter and other cut price flying, 30 per cent of the foreign tourists going to Switzerland arrive by train. Within the country, the trains are a model of efficiency, of *cleanliness, and, provided the* weather does not play tricks, as it can do, also of punctuality to the minute.

*A visitor leaving the country* by air from Zurich can check in his baggage at the railway station of many cities and resorts and need not bother about it again before he reaches his destination airport.

Zurich airport itself sits atop a railway station on the country's main railway trunk line, from Geneva to St Gallen. From this summer the other main international airport, at Geneva, *will also have its own* railway station.

What of the future? Dr Leu, of the Tourist Office, thinks that *within 20 years or so the hotel* trade will have become concentrated into two main sectors: upmarket chains, run centrally (and of course with central reservation facilities), and the *family* hotel which lives by making the guest almost a part of the extended family.

The latter will be helped by an incipient lessening of the widespread reluctance to work in the tourist trade with its exhausting hours and peak seasons, Dr Leu believes. The number of overnight stays by Swiss and foreign visitors will stagnate *around the 75m-80m mark*.

Dr Schaer of the federation (which represents members of the tourist and related industries) also does not expect a marked expansion of business. He is worried by the adverse effects of the US balance of payments deficit with its impact on the US dollar and by the continued high level of unemployment in many industrialised countries.

But *he says he does see* the opportunity to improve occupancy rates in hotels and chalets—provided no more *chalets come onto the market* and provided the air can be kept clean.

**W. L. Luetkens**

The Chateau of Chillon on Lake Leman

Frontispiece of the Swiss constitution: a 19th century Swiss view of the country. In a more matter of fact age the country's institutions and army still command widespread romantic adulation.

The Swiss Character

# Different but not dull

NOTHING EVER happens in Switzerland—the Swiss are dull and stingy as well: that is almost axiomatic outside Switzerland, not least among journalists.

Is it true, quite apart from the *fact* that it is more than bold to speak so sweepingly of a country that, with four languages and two major religious denomina*tions, cannot really be said to* have a unitary culture? Let us in turn generalise a little.

No doubt Switzerland is a remarkably conservative place with, one must add, a great deal worth conserving. The refusal of its voters last year to sanction an application to join the United Nations was noticed world wide as an example of the refusal to alter things.

So the unwillingness of one *last remaining* canton to give women a vote in its affairs on the threadbare excuse that there is no space to accommo*date them on the square where* by tradition the men transact business once a year.

To some outsiders (or even insiders) such particularism may seem to be the ultimate expression of parish pump mentality. To others it may reflect rugged if at times misguided regional independence of mind.

It has inspired the story of a group of boys from several countries who wanted to know where babies came from. Each boy had his say—stork, gooseberry bush and so on. At the end the little Swiss, looking rather sheepish, explained: "Where I come from, it's done differently in each canton."

Exaggerated? Some years ago the Swiss people decided by referendum that motorists must wear seat belts when seated in the front seats of the car. Several cantons voted the other way, and in at least one of them the police still enforce the seat belt law halfheartedly, *if at all*.

Jokes and curiosities apart, stinginess and sticking in the mud may look a bit different from closer up. Some time ago a popular (not to say populist) outcry arose against allowing foreigners to buy heavily into the *real estate of holiday* resorts.

In the interests of the landowners' pockets and the local builders many communes then found ways around official bans and deterrents. By now, one must add, the ban has become reasonably effective.

There is another side to the hard-headed devotion to the hard Swiss franc. When the writer turned up at a shop in Berne as it was closing an apprentice assistant, unprompted, not only let him in but also volunteered to gift wrap his modest purchase (at no extra charge). "Glad to be of service," both she and her boss said.

Giving service is very much of the Swiss way *of doing business*. How else could what on the surface looks like a cuckoo clock and yodelling society have become *a power in the world of* industry and financial services?

So what of the boring Swiss? Is it *foolish* to pretend that a society that functions as efficiently as Switzerland does, may for that very reason be interesting, even exciting? And in any case there is more going on than the headlines, or rather their absence, might suggest. And most of it is less sleezy than the sight of fixers openly taking their drugs in certain corners of Swiss cities — and they cannot all be foreigners.

Conservatism or no, the environment list movement has become a force to be reckoned with in Switzerland. Some years *ago already it stymied the* further development of nuclear power, even though that issue is not yet finally settled. You may disapprove, but the fact is *note*worthy, and it happened *early* in Switzerland where nothing even happens.

Equally surprising, the pillars of society in industry, the banks and the rest of the elite, for instance the diplomatic service, are remarkably receptive to the work of contemporary artists. Their prints and other pictures are eagerly sought out and make a bold if unexpected showing in *many palaces of high finance in* Zurich.

On some outside walls you may find graffiti that may conflict with traditional ideas of tidiness and cleanliness, but which often do show considerable accomplishment in execution.

Even pin-striped propriety of dress is not what it once was. Businessmen on duty often allow themselves a relatively relaxed style of dress. In the streets the jeans fashion is as prevalent as elsewhere. But national habits cannot be denied: *the dirty old jeans of* the Swiss young must be the cleanest dirty old jeans anywhere.

**W. H. Luetkens**